Carote Ltd

卡羅特(商業)有限公司

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

GLOBAL OFFERING

Stock Code : 2549

carote

Joint Sponsors
(In alphabetical order)

BNP PARIBAS

招銀国际 CMB INTERNATIONAL

Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

招銀国际 CMB INTERNATIONAL

BNP PARIBAS

If you have doubt about any of the contents of this prospectus, you should obtain independent professional advice.

Carote Ltd
卡羅特（商業）有限公司

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

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**129,864,500 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**12,986,500 Shares (subject to reallocation)**
Number of International Offer Shares	**:**	**116,878,000 Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$5.78 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars, subject to refund)**
Nominal value	**:**	**US$0.0005 per Offer Share**
Stock code	**:**	**2549**

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(In alphabetical order)

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Joint Lead Managers

富途證券 老虎證券 利弗莫尔证券 LIVERMORE HOLDINGS LIMITED TradeGo Markets

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price will be no more than HK$5.78 per Offer Share and is currently expected to be not less than HK$5.72 per Offer Share unless otherwise announced. If, for any reason, the Offer Price is not agreed by 12:00 noon on Friday, September 27, 2024 (Hong Kong time) between the Overall Coordinators (for themselves and on behalf of the Underwriters) and the Company, the Global Offering will not proceed and will lapse.

The Overall Coordinators (for themselves and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that is stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and our Company (www.mycarote.com) as soon as practicable following such decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. For further details, see "Structure of the Global Offering" and "How to apply for Hong Kong Offer Shares."

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. For more details, see "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination."

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in "Risk Factors."

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of United States persons, except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.mycarote.com**. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

September 23, 2024

IMPORTANT NOTICE TO INVESTORS:

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus for use by the public. This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "*HKEXnews > New Listings > New Listing Information*" section, and the website of the Company at www.mycarote.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

(1) apply online through the **White Form eIPO** service at ***www.eipo.com.hk***; or

(2) apply electronically through the **HKSCC EIPO** channel and cause HKSCC Nominees to apply on your behalf by instructing your **broker** or **custodian** who is a HKSCC Participant to give **electronic application instructions** via HKSCC's FINI system to apply for the Hong Kong Offer Shares on your behalf.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please see "How to Apply for Hong Kong Offer Shares" for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **White Form eIPO** service or by giving **electronic application instructions** to HKSCC must be for a minimum of 500 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your **broker** or **custodian**, as determined based on the applicable laws and regulations in Hong Kong.

Carote Ltd
卡羅特（商業）有限公司
(Stock Code: 2549)
(HK$5.78 per Hong Kong Offer Share)

NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS

No. of Hong Kong Offer Shares applied for	Amount payable(2) on application	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application
	HK$		*HK$*		*HK$*		*HK$*
500	2,919.14	7,000	40,868.04	50,000	291,914.56	700,000	4,086,803.91
1,000	5,838.30	8,000	46,706.33	60,000	350,297.47	800,000	4,670,633.05
1,500	8,757.43	9,000	52,544.62	70,000	408,680.39	900,000	5,254,462.16
2,000	11,676.58	10,000	58,382.92	80,000	467,063.30	1,000,000	5,838,291.30
2,500	14,595.73	15,000	87,574.37	90,000	525,446.22	2,000,000	11,676,582.60
3,000	17,514.88	20,000	116,765.82	100,000	583,829.14	3,000,000	17,514,873.90
3,500	20,434.02	25,000	145,957.28	200,000	1,167,658.25	4,000,000	23,353,165.20
4,000	23,353.16	30,000	175,148.74	300,000	1,751,487.39	5,000,000	29,191,456.50
4,500	26,272.31	35,000	204,340.19	400,000	2,335,316.52	6,493,000(1)	37,908,025.41
5,000	29,191.45	40,000	233,531.65	500,000	2,919,145.66		
6,000	35,029.75	45,000	262,723.11	600,000	3,502,974.78		

(1) Maximum number of Hong Kong Offer Share you may apply for.
(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants(as defined in the Listing Rules) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

If there is any change in the following expected timetable of the Hong Kong Public Offering, our Company will issue an announcement to be published on the websites of the Stock Exchange at ***www.hkexnews.hk*** and our Company at ***www.mycarote.com***.

Date[1]

Hong Kong Public Offering commences . . . . 9:00 a.m. on Monday, September 23, 2024

Latest time for completing electronic applications under the **White Form eIPO** service through the designated website **www.eipo.com.hk**[2] . . . . 11:30 a.m. on Thursday, September 26, 2024

Application lists of the Hong Kong Public Offering open[3] . . . . 11:45 a.m. on Thursday, September 26, 2024

Latest time for (a) completing payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving **electronic application instructions** to HKSCC[4] . . . . 12:00 noon on Thursday, September 26, 2024

If you are instructing your **broker** or **custodian** who is a HKSCC Participant to submit electronic application instruction(s) on your behalf through HKSCC's FINI system in accordance with your instruction, you are advised to contact your **broker** or **custodian** for the earliest and latest time for giving such instructions which may be different from the latest time as stated above, as this may vary by broker or custodian.

Application lists of the Hong Kong Public Offering close[3] . . . . 12:00 noon on Thursday, September 26, 2024

Expected Price Determination Date[5] . . . . no later than 12:00 noon on Friday, September 27, 2024

Announcement of the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.mycarote.com**[6] . . . . no later than 11:00 p.m. on Monday, September 30, 2024

The results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where applicable) to be available through a variety of channels, including:

- in the announcement to be posted on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.mycarote.com**, respectively. . . . . no later than 11:00 p.m. on Monday, September 30, 2024

- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**) with a "search by ID" function from. . . . . 11:00 p.m. on Monday, September 30, 2024 to 12:00 midnight on Sunday, October 6, 2024

- from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. . . . . from Wednesday, October 2, 2024 to Monday, October 7, 2024 (excluding weekend and public holidays in Hong Kong)

Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering to be dispatched or deposited into CCASS on or before[7][9]. . . . . Monday, September 30, 2024

White Form e-Refund payment instructions/refund checks in respect of (i) wholly or partially successful applications (if applicable) and (ii) wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering to be dispatched on or before[8][9] . . . . Wednesday, October 2, 2024

Dealings in the Shares on the Stock Exchange expected to commence . . . . at 9:00 a.m. on Wednesday, October 2, 2024

Notes:

(1) All times and dates refer to Hong Kong local times and dates, except as otherwise stated.

(2) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for lodging applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for lodging applications, when the application lists close.

(3) If there is/are Severe Weather Signal(s) (as defined in the section headed "How to Apply for Hong Kong Offer Shares — E. Severe Weather Arrangements" in this prospectus) in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, September 26, 2024, the application lists will not open and will close on that day. See the section headed "How to Apply for Hong Kong Offer Shares – E. Severe Weather Arrangements" in this prospectus.

(4) Applicants who apply for the Hong Kong Offer Shares by instructing your **broker** or **custodian** to apply on your behalf via **HKSCC EIPO** channel should refer to the section headed "How to Apply for Hong Kong Offer Shares – A. Application for Hong Kong Offer Shares – 2. Application Channels" in this prospectus.

(5) The Price Determination Date is expected to be on or before Friday, September 27, 2024. If, for any reason, the Offer Price is not agreed between the Overall Coordinators (for themselves and on behalf of the other Underwriters) and the Company by 12:00 noon on Friday, September 27, 2024, the Global Offering will not proceed and will lapse.

(6) None of the websites or any of the information contained on the websites forms part of this prospectus.

(7) Share certificates for the Hong Kong Offer Shares are expected to be issued on Monday, September 30, 2024 but will only become valid evidence of title provided that (i) the Global Offering has become unconditional in all respects, and neither of the Underwriting Agreements has been terminated in accordance with its terms, prior to 8:00 a.m. on the Listing Date, which is expected to be on or around Wednesday, October 2, 2024, and (ii) the right of termination as described in the paragraph headed "Grounds for termination" under the section headed "Underwriting" in this prospectus has not been exercised and has lapsed. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates or before the share certificates becoming valid certificates of title do so entirely at their own risk.

(8) White Form e-Refund payment instruction or refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purpose. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund check. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate the refund check. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

(9) Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection. Applicants who apply via **HKSCC EIPO** channel should refer to the section headed "How to Apply for Hong Kong Offer Shares — D. Dispatch/Collection of Share Certificates and Refund of Application Monies" in this prospectus for details. Applicants who have applied through the **White Form eIPO** service by paying the application monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of White Form e-Refund payment instructions. Applicants who apply via the **White Form eIPO** service by paying the application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund checks by ordinary post and at their own risk.

Any uncollected Share certificates and/or refund cheques will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Share certificates and/or refund checks will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed "How to Apply for Hong Kong Offer Shares — D. Dispatch/Collection of Share Certificates and Refund of Application Monies".

The above expected timetable is a summary only. You should refer to the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such case, the Company will make an announcement as soon as practicable thereafter.

You should read carefully "Underwriting," "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and/or Extreme Conditions and the dispatch of refund monies and Share certificates.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any securities other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to subscribe for or buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representation made in this prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of our or their respective directors, officers, employees, agents, or representatives, or any other person or party involved in the Global Offering. The information contained on our website at ***www.mycarote.com*** *does not form part of this prospectus.*

Page

CONTENTS

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. 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 investment. Some of the particular risks of investing in the Offer Shares are set out in the section headed "Risk Factors". You should read the entire document carefully before you decide to invest in the Offer Shares. Various expressions used in this section are defined in the sections headed "Definitions" and "Glossary of Technical Terms".

OVERVIEW

We are a global brand for kitchenware products. Within eight years since we launched our brand "CAROTE" in 2016, we have achieved a notable 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", aiming to provide our customers with practical, well-designed, and reasonably priced items that promote a modern cooking lifestyle.

Our Business

The progression of our business reflects a development based on our understanding of market needs 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, supported by a business model that emphasizes direct customer engagement through online sales channels. This strategic move quickly positioned us as a fast-growing brand for 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 contract manufacturers 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%. For the three months ended March 31, 2024, revenue from our branded business reached RMB450.0 million, representing an 82.6% increase from RMB246.5 million in the same period of 2023.

Our Products

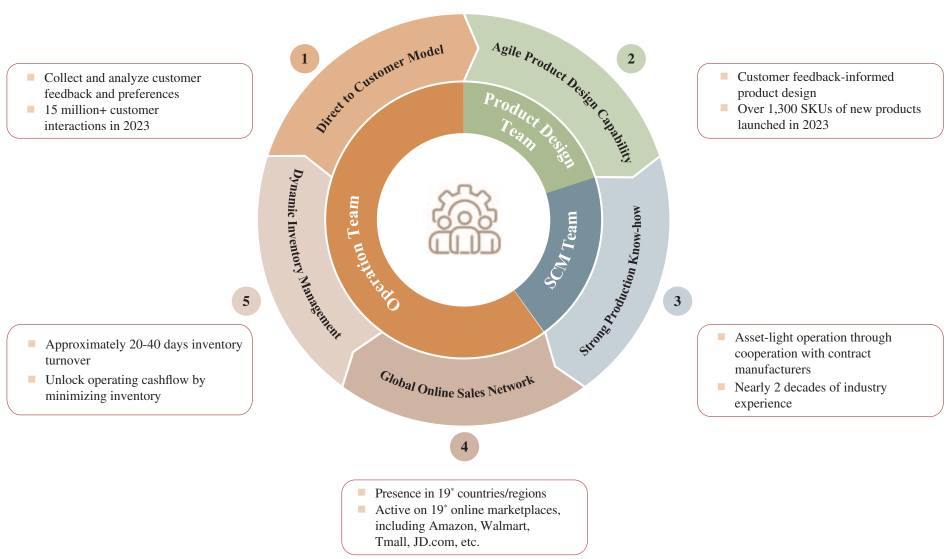
We offer a wide range of kitchenware products to consumers. From essential pots and pans to well-designed tableware and beverage containers, our offerings aim to meet the varied needs of different kitchen scenarios and enhance the culinary experience of our customers.

We regularly refresh our lineup with new and improved products to keep our customers engaged. In 2021, 2022, 2023 and the three months ended March 31, 2024, we launched 520, 1,305, 1,374, and 361 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 2,500 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

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.



* *As of the Latest Practicable Date*

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 kitchenware products that meet consumer needs 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 our core cookware lines have an average product development cycle of 50 days from concept to market, outpacing the industry average of 60 days, 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. Solid 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 contract manufacturers 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 contract manufacturers 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 48 self-operated online stores across 19 online marketplaces in 19 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 an average inventory turnover of approximately 20 to 40 days 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:

- Global brand with a notable presence in the kitchenware market;
- Product development capability in delivering products that meet consumer needs;

- 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 development and efficient cost control; and
- Experienced management team with global vision and dynamic corporate culture.

OUR STRATEGIES

We aim to further grow our business 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 key markets, ranking fourth in China, second in the United States, third in Western Europe, second in Southeast Asia, and third in Japan, with market shares of 1.2%, 13.1%, 1.3%, 8.6%, and 8.1%, respectively, in terms of retail sales value in 2023. See "Industry Overview" for further 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$22.6 billion by 2028, with a CAGR of 7.5% from 2023 to 2028. 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 strategic 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 product listing and other 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, 2023 and the three months ended March 31, 2024, purchases from our five largest suppliers accounted for 39.8%, 50.3%, 45.1%, and 37.4% of our total purchase, respectively, with purchases from our largest supplier comprising 18.0%, 16.9%, 18.0%, and 17.4% of our total purchase during the same periods. Our five largest suppliers in each period of 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, 2023 and the three months ended March 31, 2024, revenue from our five largest customers, accounted for 55.4%, 29.2%, 11.8%, and 11.0% of our total revenue, respectively, with our largest customer contributing 24.4%, 13.9%, 6.5%, and 5.4% of our total revenue during the same periods. Our five largest customers in each period of the Track Record Period were Independent Third Parties.

RISK FACTORS

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

- 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.
- 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.
- 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.
- 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 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 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 Accountant's 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 prospectus, 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,			Three months ended March 31,	
	2021	**2022**	**2023**	**2023**	**2024**
			(RMB in millions)		
				(unaudited)	
Revenue	**675.3**	**768.5**	**1,583.1**	**291.8**	**502.9**
Cost of sales	(548.8)	(493.2)	(1,018.0)	(181.1)	(293.5)
Gross profit	**126.5**	**275.3**	**565.1**	**110.7**	**209.4**
Selling expenses	(56.7)	(108.8)	(245.4)	(37.2)	(84.7)
Administrative expenses	(20.3)	(20.7)	(31.6)	(5.7)	(16.2)
Research and development expenses	(18.1)	(20.8)	(35.9)	(6.6)	(9.7)
Net (impairment losses)/reversal of impairment on financial assets	(0.1)	(0.1)	0.3	0.1	—
Other income	0.5	1.6	3.2	—	0.9
Other gains/(losses), net	0.9	(2.4)	15.5	2.0	5.2
Operating profit	**32.7**	**124.1**	**271.2**	**63.3**	**104.9**
Finance income	4.9	5.5	7.4	1.2	0.8
Finance costs	(1.6)	(3.1)	(0.3)	0.1	(0.1)
Finance income, net	3.3	2.4	7.1	1.3	0.7
Profit before income tax	**36.0**	**126.5**	**278.3**	**64.6**	**105.6**
Income tax expenses	(4.3)	(18.0)	(41.8)	(8.7)	(17.1)
Profit for the year	**31.7**	**108.5**	**236.5**	**55.9**	**88.5**
Profit attributable to:					
Owners of the Company	31.7	108.8	237.1	55.9	88.5
Non-controlling interests	—	(0.3)	(0.6)	—	—
	31.7	**108.5**	**236.5**	**55.9**	**88.5**

Non-HKFRS Measures

To supplement our consolidated financial statements presented in accordance with HKFRSs, we use adjusted net profit (non-HKFRS measure) and adjusted net profit margin (non-HKFRS measure) as additional financial measures, which are not required by, or presented in accordance with HKFRSs. We believe that these non-HKFRS measures provide useful information to investors in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, presentation of these non-HKFRS measures may not be comparable to similarly titled measures presented by other companies. The use of these non-HKFRS measures has limitations as an analytical tool, and investors should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial conditions as reported under HKFRSs.

We define (i) adjusted net profit (non-HKFRS measure) as profit for the year/period adding back listing expenses incurred for the same year/period, and (ii) adjusted net profit margin (non-HKFRS measure) as adjusted net profit as a percentage of revenue for the same year/period. The adjusted net profit (non-HKFRS measure) and adjusted net profit margin (non-HKFRS measure) exclude the impact of listing expenses.

The following table sets forth a reconciliation of our adjusted net profit (non-HKFRS measure) and adjusted net profit margin (non-HKFRS measure) to the nearest measure prepared in accordance with HKFRSs for the year/period indicated:

	Year ended December 31,			Three months ended March 31,	
	2021	2022	2023	2023	2024
	(RMB in millions except for percentages)			*(unaudited)*	
Profit for the year/period	**31.7**	**108.5**	**236.5**	**55.9**	**88.5**
Add back:					
Listing expenses	**—**	**—**	**6.0**	**0.1**	**8.5**
Adjusted net profit (non-HKFRS measure)	**31.7**	**108.5**	**242.5**	**56.0**	**97.0**
Adjusted net profit margin (non-HKFRS measure)	**4.7%**	**14.1%**	**15.3%**	**19.2%**	**19.3%**

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 segments for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions except for percentages)						*(unaudited)*			
Branded business	283.3	41.9	530.7	69.1	1,379.9	87.2	246.5	84.5%	450.0	89.5%
ODM business	392.0	58.1	237.8	30.9	203.2	12.8	45.3	15.5%	52.9	10.5%
Total	**675.3**	**100.0**	**768.5**	**100.0**	**1,583.1**	**100.0**	**291.8**	**100.0%**	**502.9**	**100.0%**

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. In 2021, 2022 and 2023, and for the three months ended March 31, 2024, we launched 520, 1,305, 1,374, and 361 SKUs of our own-branded products, 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, and further to approximately 0.9 million in the three months ended March 31, 2024, 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.

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

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB in millions except for percentages)									
							(unaudited)			
Branded business	106.5	37.6%	243.7	45.9%	541.1	39.2%	105.2	42.7%	203.2	45.1%
ODM business	20.0	5.1%	31.6	13.3%	24.0	11.8%	5.5	12.0%	6.2	11.8%
Total	**126.5**	**18.7%**	**275.3**	**35.8%**	**565.1**	**35.7%**	**110.7**	**37.9%**	**209.4**	**41.6%**

The increase in our gross profit from branded business during the Track Record Period was primarily due to significant growth in both our domestic and overseas retail sales of our own-branded products. The increase in the gross profit margin of our branded business from 2021 to 2022 was primarily due to a decrease in the average cost of sales of our cookware, mainly attributable to our increased bargaining power against suppliers as our purchase volume increased. 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 and capture more market share.

The increases in the gross profit and gross profit margin of our ODM business from 2021 to 2022 were primarily due to: (i) a decrease in our cost of sales, mainly attributable to our increased bargaining power against suppliers as our business continued to grow; and (ii) 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. The decreases in the gross profit and gross profit margin of our ODM business from 2022 to 2023 were primarily because: (i) we lowered the prices of certain products, mainly our existing cookware products, in order to maintain competitiveness; and (ii) our bargaining power against customers decreased as we developed fewer new products due to our strategic diversion of resources away from our ODM business.

Branded Business by Products

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

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	(RMB in millions except for percentages)									
							(unaudited)			
Branded business										
Cookware	244.7	86.4%	444.6	83.8%	1,237.7	89.7%	220.7	89.5%	397.4	88.3%
Kitchen utensils	30.6	10.8%	64.9	12.2%	90.4	6.6%	20.6	8.4%	38.1	8.5%
Drinkware	0.5	0.2%	12.5	2.4%	47.4	3.4%	5.1	2.1%	12.1	2.7%
Others(1)	7.5	2.6%	8.7	1.6%	4.4	0.3%	0.1	0.0%	2.4	0.5%
Total	**283.3**	**100.0%**	**530.7**	**100.0%**	**1,379.9**	**100.0%**	**246.5**	**100.0%**	**450.0**	**100.0%**

Note:

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

During the Track Record Period, our branded business experienced revenue growth across all of our main product categories, namely cookware, kitchen utensils, and drinkware. The increase in our revenue from sales of cookware was primarily due to our introduction of new product series that were well received by customers and our expansion of our online sales channels. The increase in our revenue from sales of kitchen utensils 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 that paired well together in terms of function, such as non-stick skillets and silicone spatulas; and (ii) our introduction of new and upgraded products that were well received by customers. The significant increase in our revenue from sales of drinkware 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 and market trends.

The following table sets forth information on the average selling price and sales volume of our branded products by product category for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2021	2022	2023	2023	2024
Branded Business					
Cookware set					
Average selling price *(RMB per SKU)*	389.9	429.0	432.3	465.1	433.0
Sales volume *(SKU)*	66,279	341,850	2,109,814	277,693	730,653
Single item cookware					
Average selling price *(RMB per SKU)*	108.8	88.0	92.6	101.6	90.8
Sales volume *(SKU)*	1,978,284	3,336,035	3,488,614	890,710	879,241
Kitchen utensil					
Average selling price *(RMB per SKU)*	23.6	17.0	17.5	17.8	27.9
Sales volume *(SKU)*	1,297,766	3,816,574	5,171,567	1,158,024	1,364,652
Drinkware					
Average selling price *(RMB per SKU)*	24.8	29.5	27.2	31.8	29.0
Sales volume *(SKU)*	19,516	425,037	1,743,837	159,242	417,095
Others					
Average selling price *(RMB per SKU)*	223.8	186.0	145.3	51.8	187.7
Sales volume *(SKU)*	33,475	46,950	29,802	1,187	12,896

The average selling price of our cookware sets increased in 2022 compared to 2021, primarily due to a higher proportion and sales volume of cookware sets containing 10 or more items in 2022, particularly in the U.S. market, which have a higher selling price than cookware sets with fewer than 10 items. This is due to our strategy to cater to consumers' increased preference for large cookware sets that contain a variety of cookware designed for specific tasks and their access to larger storage space in markets such as the United States. The average selling price of our cookware sets remained relatively stable in 2023. The average selling price of our cookware sets decreased in the three months ended March 31, 2024, compared to the same period in 2023, primarily because our highest-selling series in this period had lower selling prices than the highest-selling series from the corresponding period in 2023. The main reason for this price difference was that products from our highest-selling series in the three months ended March 31, 2024 were generally smaller in size compared to their counterparts from the same period in 2023. Due to their relatively smaller sizes and lighter weight, these products incurred lower freight expenses, allowing us to price them more competitively without negatively affecting the profit margin.

On the other hand, the average selling price of cookware sold as single items decreased in 2022 compared to 2021, primarily driven by a higher proportion of sales revenue from the PRC, where the average selling price is lower than in our other markets during the Track Record Period. In 2023, the average selling price of cookware sold as single items increased compared to 2022, primarily due to (i) an increased proportion of sales revenue from the United States, where the average selling prices are generally higher than in our other markets during the Track Record Period, and (ii) a lower proportion of sales revenue from the PRC. The average selling price of cookware sold as single items dropped in the three months ended March 31, 2024, compared to the same period in 2023, primarily attributable to a higher proportion of sales revenue from Japan, as well as the weakening of the Japanese yen, in which the sales in Japan are denominated.

The average selling price of kitchen utensils decreased in 2022 compared to 2021 primarily due to the introduction of various popular small kitchenware items, which have relatively lower prices. The average selling price of kitchen utensils increased in the three months ended March 31, 2024, compared to the same period in 2023, primarily due to a higher proportion of overseas sales, where the selling prices are relatively higher.

The average selling price of drinkware increased in 2022 compared to 2021, primarily because of the continued popularity of our insulated bottles and the launch of products with differentiating features, such as coffee travel mugs, both of which carry relatively higher prices. The average selling price of drinkware decreased in 2023 compared to 2022, primarily due to the launch of a new series of plastic cups, which have relatively lower prices. The average selling price of drinkware decreased in the three months ended March 31, 2024, compared to the same period in 2023, primarily due to an increased proportion of sales of glass and plastic items, which have relatively lower selling prices.

During the Track Record Period, the average selling price of other products, which primarily included kitchen appliances and tableware, decreased in 2022 compared to 2021, primarily due to promotional sales of air fryers, and further decreased in 2023, primarily due to the introduction of new items, such as electric cooking pots, with relatively lower selling prices. The average selling price of other products increased in the three months ended March 31, 2024, compared to the same period in 2023. This increase was primarily due to temporary trial sales of maternal and baby products during the three months ended March 31, 2023, such as supplementary food boxes, which have notably low selling prices at around RMB10 per item.

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

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB in millions except for percentages)						*(unaudited)*			
Branded business										
Cookware	92.8	37.9%	203.3	45.7%	481.0	38.9%	93.0	42.1%	178.7	45.0%
Kitchen utensils	12.2	39.7%	34.1	52.6%	42.3	46.8%	10.3	49.9%	19.5	51.2%
Drinkware	0.2	47.0%	4.8	38.5%	16.8	35.3%	1.9	38.1%	4.5	36.8%
Others[(1)]	1.3	17.8%	1.5	16.0%	1.0	23.3%	—	17.3%	0.5	21.7%
Total	**106.5**	37.6%	**243.7**	45.9%	**541.1**	39.2%	**105.2**	42.7%	**203.2**	45.1%

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 in line with the increase in our revenue from these categories.

Branded Business by Geographical Location

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

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	(RMB in millions except for percentages)						*(unaudited)*			
Branded business										
Mainland China	163.4	57.7%	273.5	51.5%	322.7	23.4%	78.6	31.9%	83.1	18.5%
United States	46.6	16.5%	122.2	23.0%	740.1	53.6%	100.3	40.7%	269.8	60.0%
Western Europe	5.8	2.0%	14.9	2.8%	96.8	7.0%	13.9	5.6%	34.1	7.6%
Japan	6.0	2.1%	35.2	6.6%	82.8	6.0%	22.1	9.0%	28.5	6.3%
Southeast Asia	47.0	16.6%	47.8	9.0%	76.5	5.5%	18.1	7.3%	15.4	3.4%
Others	14.5	5.1%	37.1	7.1%	61.0	4.5%	13.5	5.5%	19.1	4.2%
Total	**283.3**	**100.0%**	**530.7**	**100.0%**	**1,379.9**	**100.0%**	**246.5**	**100.0%**	**450.0**	**100.0%**

Note:

* For online retail, geographic markets are identified by the country or region of the platform where the sales took place.

During the Track Record Period, our branded business experienced revenue growth in all our geographic markets in line with our business expansion.

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

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB in millions except for percentages)									
							(unaudited)			
Branded business										
Mainland China	61.7	37.7%	114.0	41.7%	114.4	35.4%	29.3	37.3%	32.4	39.0%
United States	19.8	42.6%	65.3	53.4%	291.4	39.4%	45.8	45.7%	124.9	46.3%
Western Europe	2.6	44.7%	8.0	53.8%	46.0	47.5%	7.0	50.2%	17.9	52.4%
Japan	2.1	35.1%	19.9	56.4%	40.0	48.3%	11.0	49.7%	12.9	45.3%
Southeast Asia	16.6	35.3%	20.0	41.8%	27.2	35.5%	6.7	37.2%	6.2	40.3%
Others	3.7	25.8%	16.5	44.7%	22.1	36.3%	5.4	40.0%	8.9	46.4%
Total	**106.5**	**37.6%**	**243.7**	**45.9%**	**541.1**	**39.2%**	**105.2**	**42.7%**	**203.2**	**45.1%**

Note:

* For online retail, geographic markets are identified by the country or region of the platform where the sales took place.

During the Track Record Period, our branded business experienced an increase in gross profit across almost all our geographic markets in line with our revenue growth and business expansion.

During the Track Record Period, our net profit increased significantly from RMB31.7 million in 2021 to RMB108.5 million in 2022, and further increased significantly to RMB236.5 million in 2023 due to the rapid growth of our branded business. Our net profit increased by 58.4% from RMB55.9 million for the three months ended March 31, 2023 to RMB88.5 million for the same period in 2024 due to the combined period-on-period growth of our revenue from branded business and ODM business.

For a more detailed analysis of our financial performance, see "Financial Information".

Sales to the United States

We generated a substantial portion of our revenue from branded products sold in the United States during the Track Record Period. Revenue of our branded business from the U.S. market increased substantially from RMB46.6 million in 2021 to RMB740.1 million in 2023, reaching RMB269.8 million in the three months ended March 31, 2024.

We attribute this robust growth to several key drivers. Our scalable business model, which leverages our extensive online operational experience, facilitates rapid expansion across various online platforms. For instance, our successful entry into Walmart's online marketplace in 2022 significantly boosted our U.S. market revenue. Additionally, our deep understanding of consumer preferences in the United States has allowed us to meet their evolving demands effectively. In response to the slowing economic growth in the U.S., consumers have become more discerning, favoring cookware that offers better value. Our products, designed with the emphasis of "Better for Use" and "Better for Value," have met this demand by providing good-quality, reasonably priced options. Our strategy of selling more product sets rather than individual items has aligned well with consumer expectations, enabling us to capture a significant share of the U.S. online cookware market. For more details, see "Industry Overview — U.S. Cookware Industry."

Furthermore, our rapid expansion and growth in the U.S. market are also attributed to our competitive advantages over other PRC-based market players. Mostly importantly, these include established cooperation with leading online marketplaces in the United States, such as Amazon and Walmart, allowing us to access their extensive customer bases across the United States and beyond. This advantage also translates into better market insight and customer feedback, which helps us enhance our product design and offerings, fueling future growth. We began cooperating with Amazon in the United States as early as 2017, establishing a first-mover advantage over many PRC-based cookware brands according to CIC and maintaining stable cooperation as we gradually expanded our operations on its platform over the years. Our cookware products are regularly featured on Amazon's best-sellers lists. Additionally, as an important supplement to our online presence in the United States, we started cooperating with Walmart.com in 2022. Our products have been well-received by customers on Walmart.com, and our revenue on the platform has increased substantially from our initial launch in 2022 through 2023. Moreover, we believe that our sizable market share in the U.S. online cookware market allows us to have enhanced brand recognition over other PRC-based market players, ensuring better visibility and preference among the consumers.

Summary Consolidated Statement of Financial Position

	As of December 31,			As of March 31,
	2021	**2022**	**2023**	**2024**
	(RMB in millions)			
Total current assets	256.1	295.1	531.2	589.4
Total current liabilities	358.9	377.7	411.1	580.7
Net current assets/(liabilities)	**(102.8)**	**(82.6)**	**120.1**	**8.7**
Total non-current assets	184.0	258.0	104.9	205.8
Total non-current liabilities	10.7	38.1	2.3	2.3
Non-controlling interests	(0.1)	(0.4)	—	—
Total equity	**70.5**	**137.3**	**222.7**	**212.2**

We had net current liabilities 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 the Yongkang Land Parcel and a land parcel in Wuyi County, Zhejiang Province, which we acquired for the purpose of constructing dormitory facilities and warehouse facilities.

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.

Our net current liabilities decreased by 19.6% from December 31, 2021 to 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 as of December 31, 2023, 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 92.8% from December 31, 2023 to March 31, 2024, primarily due to: (i) an increase of RMB103.5 million in our other payables and accruals, primarily due to an increase of RMB100.0 million in our dividend payable as a result of our dividend declaration on March 4, 2024 to our then shareholders; and (ii) an increase of RMB66.7 million in our trade and bills payables as a result of our increased purchases from suppliers in line with our business growth.

Our total equity increased significantly by 94.9% from RMB70.5 million as of December 31, 2021 to RMB137.3 million as of December 31, 2022, primarily due to the contribution from net profit of RMB108.5 million, partially offset by dividend distribution to the then shareholders of RMB50.0 million. Our total equity further increased by 62.2% to RMB222.7 million as of December 31, 2023, primarily due to the contribution from net profit of RMB236.5 million, partially offset by deemed distribution to shareholders pursuant to the disposal of assets of RMB89.4 million and deemed distribution to shareholders pursuant to the Reorganization of RMB67.7 million.

Summary Consolidated Statements of Cash Flows

	Year ended December 31,			Three months ended March 31,	
	2021	2022	2023	2023	2024
			(RMB in millions)		
				(unaudited)	
Net cash flows generated from operating activities	122.0	128.6	244.0	(29.4)	122.1
Net cash flows (used in)/generated from investing activities	(95.5)	(184.0)	48.1	73.5	(92.2)
Net cash flows generated from/(used in) financing activities	34.9	0.6	(98.2)	(0.6)	(1.7)
Net increase/(decrease) in cash and cash equivalents	**61.4**	**(54.7)**	**193.8**	**43.5**	**28.2**
Cash and cash equivalents at beginning of year	36.3	97.7	42.5	42.5	236.1
Effects of exchange rate changes on cash and cash equivalents	—	(0.5)	(0.2)	(0.2)	(0.1)
Cash and cash equivalents at end of year	**97.7**	**42.5**	**236.1**	**85.8**	**264.2**

Our net cash used in operating activities of RMB29.4 million for the three months ended March 31, 2023 represented our profit before tax of RMB64.6 million, adjusted for non-cash and non-operating items, primarily (i) finance costs of RMB1.3 million; (ii) net exchange differences of RMB1.1 million; and (iii) depreciation of property, plant and equipment and right-of-use assets of RMB0.9 million. The amount was further adjusted by changes in certain working capital accounts, primarily (i) a decrease of RMB45.3 million in trade and bills payables, mainly attributable to the settlement of payables to our suppliers in the first quarter of 2023; (ii) an increase in other operating assets of RMB28.0 million, mainly attributable to an increase in other receivables related to (a) export tax rebate as our overseas sales increased, and (b) deposits paid to platforms, primarily comprising amounts reserved for refund payments on Amazon as our sales on Amazon increased; and (iii) an increase in inventories of RMB15.5 million, in line with our business growth.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods indicated:

	As of/Year ended December 31,			As of/Three months ended March 31,
	2021	2022	2023	2024
Gearing ratio	60.5%	42.8%	4.4%	4.6%
Debt ratio	9.7%	10.6%	1.5%	1.2%
Current ratio	0.7	0.8	1.3	1.0
Return on equity	44.9%	79.0%	106.2%	166.8%
Return on assets	7.2%	19.6%	37.2%	44.5%

For an analysis of our key financial ratios, including their methods of calculation, see "Financial Information — Key Financial Ratios".

OUR CONTROLLING SHAREHOLDERS

Upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), Mr. Zhang and Ms. Lyu will be indirectly interested in and control, through the Intermediary Shareholders, an aggregate of 74.99% of the issued share capital in our Company. Accordingly, immediately upon completion of the Global Offering (assuming the Over-allotment Option 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 74.99% of the issued share capital in our Company. For further details, see "Relationship with our Controlling Shareholders".

RECENT DEVELOPMENTS

Since the end of the Track Record Period, we have continued our business development efforts through establishing cooperation with additional online marketplaces. For instance, we began selling on Target and Macy's, both U.S.-based online marketplaces, in April 2024 and June 2024, respectively.

Our business continued to expand after March 31, 2024. In particular, we experienced rapid sales growth in the United States compared to the same period of 2023, primarily driven by increased customer demand and our enhanced brand recognition. We also continued developing new products and launched over 320 new SKUs in April and May 2024.

On March 4, 2024, we declared a dividend to our then shareholders of RMB100.0 million for the year ended December 31, 2023. Subsequently, on April 19, 2024, we paid US$10.0 million of the aforementioned dividend, and the remaining amount was paid by May 17, 2024.

Property Purchase Plan

We plan to purchase a suitable office premises in Hangzhou to accommodate our expanding business needs and reduce rental costs after the completion of the Global Offering. The estimated cost of such a purchase is around RMB65 million to RMB70 million, based on the market prices for office properties in the proximity and our need for gross floor area. This is subject to further procedures and actions, including board and/or shareholder approval (if required), compliance with applicable requirements under the Listing Rules, market research, financing arrangements, and negotiations with potential vendors. As of the date of this prospectus, we have not identified any target property nor entered into any agreements for such purchase. We aim to complete the purchase within 12 months after the completion of the Global Offering and will finance it through our internal sources, other than the proceeds from the Global Offering.

Our Directors confirm that, as of the date of this prospectus, there has been no material adverse change in our financial and trading positions or prospects since March 31, 2024, being the end date of the periods reported on in the Accountant's Report included in Appendix I to this prospectus.

IMPACT OF COVID-19

The global outbreak of COVID-19 since early 2020 disrupted the global supply chain and logistics services, causing occasional delays in our product delivery. We mitigated these disruptions through strategic measures and were able to avoid significant delays. Additionally, we experienced elevated ocean freight fees for shipping our products to overseas customers until September 2022, which gradually began to decrease thereafter. The pandemic also temporarily impacted demand from a major ODM customer in 2022. However, overall, the pandemic accelerated the development of e-commerce platforms, thereby boosting our branded business, which primarily focuses on online operations. Despite initial challenges, our business saw substantial growth in revenue and profitability during the Track Record Period, and COVID-19 did not have a material adverse effect on our operations. See "Business — Sales and Marketing — Impact of COVID-19" for details.

Future Growth

The demand for cookware with convenient use and easy storage, features that are found in our product offerings, increased during the COVID-19 outbreak, driven by the shift to remote working and home cooking lifestyles. While it is uncertain whether these trends will continue to rise or eventually decline, we intend to sustain our future growth by leveraging our online operational model and product offerings, which have served us well in the past and will remain our focus moving forward. Our growth strategy will concentrate on continuous product iteration and enhancement, guided by our understanding of market developments and customer needs. This approach will be informed by insights gathered from our direct-to-consumer online operations. As we did during the Track Record Period, we aim to continue recognizing, capturing, and catering to shifts in customer demand and broader lifestyle changes through this proactive process. Additionally, we plan to fuel future growth by expanding our sales channels, both online and offline, to reach new markets and customer bases. For more details, see "Business — Our Strategies — Continuously Expanding Global Reach and Enhancing Brand Recognition Worldwide."

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. Subsequently, on April 19, 2024, we paid US$10.0 million of the aforementioned dividend, and the remaining amount was paid by May 17, 2024. See "— Recent Developments."

We intend to adopt, before the Listing, 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.

GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offering of 12,986,500 Shares (subject to reallocation as mentioned below) for subscription by the public in Hong Kong as described in the paragraph headed "Structure of the Global Offering — The Hong Kong Public Offering"; and
- the International Offering of 116,878,000 Shares (subject to reallocation and the Over-allotment Option as mentioned below) outside the United States (including professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described below in the paragraph headed "Structure of the Global Offering — the International Offering".

The Offer Shares will represent approximately 24.25% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 26.91% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the exercise of the Over-allotment Option.

OFFERING STATISTICS

	Based on an Offer Price of HK$5.72 per Offer Share	Based on an Offer Price of HK$5.78 per Offer Share
Market capitalization of our Shares(1)	HK$3,063.2 million	HK$3,095.3 million
Unaudited pro forma adjusted net tangible assets per Offer Share (2)	HK$1.73	HK$1.75

Notes:

(1) The calculation of the market capitalization is based on 535,523,100 Shares expected to be in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised).

(2) The unaudited pro forma adjusted net tangible assets per Offer Share has been arrived at after adjustments referred to in "Appendix II — Unaudited Pro Forma Financial Information" and on the basis that 535,523,100 Shares were in issue at the respective Offer Price of HK$5.72 and HK$5.78, assuming that the Shares issued pursuant to the Global Offering were issued on March 31, 2024, which does not take into account (i) any Share which may be allotted and issued upon the exercise of the Over-allotment Option, 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.

For further details, please refer to "Appendix II — Unaudited Pro Forma Financial Information — A. Unaudited Pro Forma Statement of Adjusted Net Tangible Assets" to this Prospectus

FUTURE PLANS AND USE OF PROCEEDS

Assuming an Offer Price of HK$5.75 per Offer Share (being the mid-point of the indicative Offer Price Range of between HK$5.72 and HK$5.78 per Offer Share), we estimate that we will receive net proceeds of approximately HK$677.8 million from the Global Offering after deducting the underwriting commissions and other estimated expenses paid and payable by us in connection with the Global Offering and assuming that the Over-allotment Option is not exercised. We intend to use our proceeds from the Global Offering for the following purposes:

- Approximately 35% (or HK$237.2 million) is expected to be used for pursuing acquisition and investment opportunities;

- Approximately 25% (or HK$169.4 million) is expected to be used for product development;

- Approximately 20% (or HK$135.6 million) is expected to be used for sales channel expansion;

- Approximately 10% (or HK$67.8 million) is expected to be used for ESG-related investments; and

- Approximately 10% (or HK$67.8 million) is expected to be used for working capital and other general corporate purposes.

See “Future Plans and Use of Proceeds” for further details.

LISTING EXPENSES

Our listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Listing and the Global Offering. Assuming an Offer Price of HK$5.75 per Offer Share, being the mid-point of the indicative Offer Price Range, we estimate that our listing expenses will be approximately RMB62.0 million, accounting for approximately 9.2% of our gross proceeds, including (i) underwriting-related expenses of approximately RMB24.7 million, and (ii) non-underwriting related expenses of approximately RMB37.4 million, comprising (a) sponsor fee of approximately RMB7.0 million, (b) fees and expenses of legal advisors and Reporting Accountant of approximately RMB20.4 million, and (c) other fees and expenses of approximately RMB10.0 million. During the Track Record Period, we incurred listing expenses of approximately RMB14.6 million, which was charged to our consolidated statements of profit or loss. We expect to further incur listing expenses of approximately RMB47.4 million upon completion of the Global Offering, out of which approximately RMB14.9 million is expected to be charged to our consolidated statements of profit or loss and approximately RMB32.5 million is expected to be deducted from equity. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only, and the actual amount may differ from this estimate.

In this prospectus, 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$"	Australian dollars, the lawful currency of Australia
"Accountant's Report"	The accountant's report prepared by PwC, details of which are set out in Appendix I to this prospectus
"AFRC"	Accounting and Financial Reporting Council of Hong Kong
"Articles of Association" or "Articles"	the articles of association of our Company, as amended, which shall become effective on the Listing Date
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"B2B sales"	supply and sale of products to online marketplaces under the B2B sales model
"Board" or "Board of Directors"	the Board of Directors of our Company
"business day"	a day on which banks in Hong Kong are generally open to the public for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
"CA$"	Canadian Dollars, the lawful currency of Canada
"Capital Market Intermediaries"	the capital market intermediaries participating in the Global Offering and has the meaning ascribed thereto under the Listing Rules
"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
"Carote Canada"	Carote (Canada) Kitchenware Ltd., a limited liability company incorporated in British Columbia, Canada on April 24, 2024 and one of our subsidiaries
"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 Guodong Capital 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

"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"China", "Mainland China" or "PRC"	the People's Republic of China, excluding, for the purpose of this prospectus (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 卡羅特（商業）有限公司, incorporated 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 the Intermediary Shareholders

"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"CRM"	customer relationship management
"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 Pre-IPO Investment as our pre-IPO investor
"Directors"	the directors of our Company, including all executive and independent non-executive directors
"DTC sales"	sales directly to retail customers through online marketplaces under the DTC sales model
"EIT Law"	Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法), 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
"FINI"	"Fast Interface for New Issuance," an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for new listings in Hong Kong
"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

"General Rules of HKSCC"	the General Rules of HKSCC as may be amended or modified from time to time and where the context so permits, shall include the HKSCC Operational Procedures
"Global Offering"	the Hong Kong Public Offering and the International Offering
"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 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
"HKSCC EIPO"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your **broker** or **custodian** who is a HKSCC Participant to give **electronic application instructions** via HKSCC's FINI system to apply for the Hong Kong Offer Shares on your behalf
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC

"HKSCC Operational Procedures"	the operational procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC's services and the operations and functions of CCASS, FINI or any other platform, facility or system established, operated and/or otherwise provided by or through HKSCC, as from time to time in force
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Participant"	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
"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)
"Hong Kong Offer Shares"	the 12,986,500 Offer Shares (subject to reallocation as described in "Structure of the Global Offering") being initially offered by our Company for subscription pursuant to the Hong Kong Public Offering
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to reallocation) at the Offer Price (plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%) on the terms and subject to the conditions described in this prospectus as further described in "Structure of the Global Offering — The Hong Kong Public Offering"

"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"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
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in "Underwriting — Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement dated September 19, 2024 relating to the Hong Kong Public Offering and entered into among our Company, our Controlling Shareholders, the Joint Sponsors and the Hong Kong Underwriters
"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 prospectus
"International Offer Shares"	the 116,878,000 Offer Shares being initially offered for subscription under the International Offering, subject to reallocation as described in "Structure of the Global Offering"

"International Offering"	the conditional placing of the International Offer Shares at the Offer Price in offshore transactions outside the United States in reliance on Regulation S or any other available exemption from the registration requirement under the U.S. Securities Act, as further described in "Structure of the Global Offering"
"International Underwriters"	the group of international underwriters expected to enter into the International Underwriting Agreement relating to the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering and expected to be entered into by, among others, our Company, our Controlling Shareholders, the Overall Coordinators and the International Underwriters on or about the Price Determination Date, as further described in "Underwriting — Underwriting Arrangements and Expenses — International Offering — International Underwriting Agreement"
"Jinhua Carote Kitchenware"	Jinhua Carote Kitchenware Co., Ltd* (金華卡羅特廚具有限公司), a company established in China with limited liability on July 25, 2024 and one of our subsidiaries
"Joint Bookrunners"	CMB International Capital Limited and BNP Paribas Securities (Asia) Limited
"Joint Global Coordinators"	CMB International Capital Limited and BNP Paribas Securities (Asia) Limited
"Joint Lead Managers"	CMB International Capital Limited, BNP Paribas Securities (Asia) Limited, Futu Securities International (Hong Kong) Limited, Tiger Brokers (HK) Global Limited, Livermore Holdings Limited and TradeGo Markets Limited
"Joint Sponsors"	BNP Paribas Securities (Asia) Limited and CMB International Capital Limited (in alphabetical order)

"JST"	Shanghai Jushuitan Network Technology Co., Ltd.* (上海聚水潭網絡科技有限公司), a business solution provider that provides enterprise resource planning software services to our Group
"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"	September 14, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus 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
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange

"Listing Date"	the date on which our Shares are first listed and from which dealings in our Shares first commence on the Main Board of the Stock Exchange, expected to be on or around Wednesday, October 2, 2024
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"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
"Maximum Offer Price"	HK$5.78 per Offer Share, being the maximum subscription price in the Offer Price Range
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company, as amended, which shall become effective on the Listing Date
"Minimum Offer Price"	HK$5.72 per Offer Share, being the minimum subscription price in the Offer Price Range
"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
"NECIPS"	means the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) maintained and operated by the SAMR
"Offer Price Range"	HK$5.72 to HK$5.78 per Offer Share
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy), expressed in Hong Kong dollars, at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Offer Shares are to be offered pursuant to the International Offering, to be determined as described in "Structure of the Global Offering — Pricing and Allocation"
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional Shares to be sold by our Company pursuant to the exercise of the Over-allotment Option

"Others"	in the context of geographic market, includes Australia, Canada, India, Taiwan, and South Africa since 2021; Korea in 2021 and since 2023; Belgium since 2023; Poland and the United Arab Emirates since 2022; Serbia in 2023 only; Saudi Arabia in 2022 and 2023 only; Israel in 2021, 2022, and 2023 only; Romania and Slovenia in 2022 only; Russia and Ukraine in 2021 and 2022 only; and Latvia, Slovakia, and Mexico in 2021 only
"Overall Coordinators"	the overall coordinators as named in the section headed "Directors and Parties Involved in the Global Offering"
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Overall Coordinators (for themselves and on behalf of the International Underwriters) for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 19,479,500 additional Shares (representing in aggregate approximately 15% of the initial Offer Shares) to the International Underwriters to cover over-allocations in the International Offering, if any, details of which are described in "Structure of the Global Offering — The International Offering — Over-allotment Option"
"Partnership Interests"	means the interests held by the Key Employees in 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 Advisor"	King & Wood Mallesons, our legal advisor as to PRC laws
"Pre-IPO 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
"Price Determination Agreement"	the agreement to be entered into by the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company on or about the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or about Friday, September 27, 2024, on which the Offer Price is to be fixed by agreement between our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters)

"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
"qualified contract manufacturer(s)"	contract manufacturer(s) that possess all necessary license, permit, and qualifications for providing OEM services required by us and have passed our supplier admission process
"Regulation S"	Regulation S under the U.S. Securities Act
"Relevant Persons"	the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their or the Company's respective directors, officers or representatives or any other parties involved in the Global Offering
"Remuneration Committee"	the remuneration committee of the Board
"Reorganization"	the reorganization arrangements undertaken by our Group in preparation for the Listing, 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
"Southeast Asia"	in the context of geographic market, includes Indonesia, Malaysia, Philippines, and Singapore since 2021; Myanmar and Thailand in 2021, 2022, and 2023; and Vietnam in 2021 and 2022 only
"sq.m."	square meters
"Sponsor-overall coordinators" or "Sponsor-OCs"	BNP Paribas Securities (Asia) Limited and CMB International Capital Limited (in alphabetical order)

"Stabilizing Manager"	CMB International Global Markets Limited
"State Council"	State Council of the People's Republic of China (中華人民共和國國務院)
"Stock Borrowing Agreement"	The stock borrowing agreements expected to be entered into on or around the Price Determination Date between the Stabilizing Manager (or its agent) and Yili Investment Holdings Ltd, pursuant to which the Stabilizing Manager may borrow up to an aggregate of 19,479,500 Shares from Yili Investment Holdings Ltd, to cover over-allocations in the International Offering
"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 and three months ended March 31, 2024
"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"
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"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
"Western Europe"	in the context of geographic market, includes Germany, Italy, Netherlands, Spain, and the United Kingdom since 2021; France and Sweden since 2022; and Turkey in 2023 only

"White Form eIPO"	the application process for Hong Kong Offer Shares with applications issued in applicant's own name and submitted online through the designated website of the White Form eIPO Service Provider at **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"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 prospectus is as of the Latest Practicable Date.

In this prospectus, 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 prospectus 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 prospectus 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.

In this prospectus, unless the context otherwise requires, explanations and definitions of certain terms used in this prospectus 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
"SCM"	supply chain management
"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

We have included in this prospectus 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 prospectus 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 prospectus, 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 prospectus. 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 prospectus with respect to trends in prices, operations, margins, overall market trends, and risk management; and
- other statements in this prospectus that are not historical facts.

This prospectus 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 prospectus 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 prospectus. You should read this prospectus 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 prospectus 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 prospectus, including the risks and uncertainties described below, before making an investment in our Shares. These risks could materially and adversely affect our business, financial condition, and results of operations. The trading price of our Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. 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 prospective investment 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 prospectus.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

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, 2023 and the three months ended March 31, 2023 and 2024, revenue from branded business accounted for 41.9%, 69.1%, 87.2%, 84.5% and 89.5% 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.

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.

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, 2023 and the three months ended March 31, 2023 and 2024, our sales in the U.S. market accounted for 24.2%, 29.2%, 52.7%, 40.9%, and 58.6% of our total revenue, respectively. 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.

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 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."

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.

Failing to align our product launches with changes in consumer lifestyles could adversely affect our prospects and results of operations.

The success of our kitchenware business is closely tied to our ability to resonate with the preferences and lifestyles of our customers, particularly the younger generation, who is characterized by rapidly evolving tastes and a preference for products that integrate into their dynamic lifestyle. Consequently, shifts in consumer lifestyles can significantly influence the demand for and popularity of our products. For example, a resurgence in home cooking trends, driven by health and wellness movements, could heighten the demand for innovative cooking tools that promote healthy eating. Similarly, an increase in smaller living spaces, especially in urban areas, may lead to a preference for multi-functional and space-saving kitchenware. Furthermore, a rise in environmental consciousness could shift consumer preference towards eco-friendly and sustainable kitchen products. Additionally, the implementation of return-to-office mandates by employers could drive the demand for efficient and portable cooking tools that cater to the needs of urban commuters. While we aim to offer a diverse range of kitchenware options to capture market opportunities arising from these lifestyle changes, there is no guarantee that we will consistently succeed in aligning our product launches with the shifting landscape of consumer lifestyles. If we fail to introduce products that resonate with the changing preferences of our target markets, our sales performance would be negatively impacted. Consequently, our future prospects, results of operations and financial position could be materially and adversely affected.

We are exposed to risks associated with interruptions to the services of the online marketplaces where we operate.

The operation of our branded business is significantly dependent on various online marketplaces, such as Amazon and Tmall, which serve as the primary channels for making our products available to online shoppers in China and globally. In addition, we rely on various supporting services provided by these online marketplaces, including product storage and delivery services, which are essential for completing transactions with our customers. However, we cannot guarantee uninterrupted access to these online marketplaces and their services. Potential service interruptions could arise from a range of external factors beyond our control, including, but not limited to, hacking incidents, technical glitches, and disruptions caused by human interference or malicious attacks. Should any of these lead to an interruption in the services of the online marketplaces, especially during major shopping seasons, such as "Black Friday" on Amazon or "Double 11" on Tmall, when the volume of transactions significantly increases, the disruption to our sales through these channels could result in substantial losses in sales opportunities. As a results, our operating results could be materially and adversely impacted.

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.

Furthermore, our purchase agreements with contract manufacturers for cookware do not include any provisions that specify the scope and duration of warranty from the contract manufacturers. See "Business — Our Supply Chain — Procurement Management — General Terms with Contract Manufacturers" for details. In the event of disputes regarding the quality of products supplied by these contract manufacturers, we lack an existing warranty that specifies the scope and duration of liabilities of the defaulting party. Consequently, we may need to resort to other legal recourses, which can be both time-consuming and costly. For minor quality issues, we may resolve matters through negotiation or other amicable methods with the contract manufacturers. However, for material defects, it is likely that we will need to pursue legal action to recover damages, a process that could be both protracted and expensive. Moreover, product defects could also tarnish our brand's reputation, negatively impacting our sales performance and financial results.

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 relationships 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 up to 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. Historically, the total amount of warranty claims we faced each year was insignificant, and as a result, we did not make any warranty provision during the Track Record Period. In 2021, 2022, 2023 and the three months ended March 31, 2024, we faced warranty claims in an aggregate amount of RMB0.1 million, RMB0.1 million, RMB0.3 million, and RMB0.1 million, respectively. However, there is no guarantee that significant warranty claims will not arise in the future. If that happens, it could negatively affect our results and operations and financial position. 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, RMB1,255.6 million, RMB212.9 million, and RMB413.2 million in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively, accounting for 74.6%, 64.0%, 79.3%, 73.0%, and 82.2% of our total revenue in the same periods. As of the Latest Practicable Date, we sell our branded kitchenware products in 19 geographic markets 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, RMB108.3 million as of December 31, 2021, 2022 and 2023, respectively, and RMB153.0 million as of March 31, 2024. In 2021, 2022, 2023 and the three months ended March 31, 2024, our average inventory turnover days were 17.5 days, 26.9 days, 27.0 days, and 40.1 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, 2023 and the three months ended March 31, 2024, the total value of such intra-group transactions amounted to RMB61.1 million, RMB163.9 million, RMB697.0 million, and RMB182.3 million, respectively.

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**"). For details, see "Business — Transfer Pricing Arrangement — Transfer Pricing Assessment." These adjustments resulted in the reallocation of certain profits within our Group (i) from Carote Global, our operating subsidiary in Hong Kong, to Zhejiang Carote, our primary operating subsidiary in the PRC which primarily engages in the 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 operational services. As a result, we recorded tax provisions for PRC enterprise income tax of RMB1.4 million, RMB3.2 million, RMB12.6 million, and RMB3.7 million in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. However, the Transfer Pricing Adjustments we have made carry no binding effect on relevant authorities, and 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**"). As advised by our Hong Kong tax advisor (the "**Hong Kong Tax Advisor**"), Acclime Tax Advisory (Hong Kong) Limited, only income arising in or derived from Hong Kong is subject to Hong Kong profits tax. Generally, trading profits derived by a company carrying on business in Hong Kong can be claimed as derived from outside Hong Kong and not subject to Hong Kong profits tax provided that both the customers and suppliers are not Hong Kong companies and all the relevant activities (including solicitation, negotiation, conclusion and execution) are carried out outside Hong Kong. The Hong Kong Tax Advisor has performed a review on Carote Global's operation for the entire Track Record Period. It has been noted that both Carote Global's customers and suppliers were located outside Hong Kong, while all its selling and purchasing activities were conducted through operations on various online marketplaces outside Hong Kong. These activities were facilitated by the business operational services provided by Hangzhou Carote Trading and Carote (Shenzhen) Trading, which also operate outside Hong Kong. Based on this review, the Hong Kong Tax Advisor is of the opinion that, it is reasonable to conclude that Carote Global is eligible to lodge a full offshore claim on its trading profits derived from the activities conducted outside Hong Kong, and the chance of success in Carote Global's offshore income claim is high. Nevertheless, 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. As advised by the Hong Kong Tax Advisor, in the event that the IRD disagrees with the offshore income claim of Carote Global, we might be liable to pay profit tax in Hong Kong of approximately HK$1.9 million in total for the years of assessment 2021/22 to 2023/24.

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, net foreign exchange gains of RMB15.2 million in 2023, and net foreign exchange gains of RMB4.8 million in the three months ended March 31, 2024. 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. For the three months ended March 31, 2024, our revenue increased to RMB502.9 million from RMB291.8 million in the same period of 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 97.0%, 97.6%, 99.5%, and 97.1% of our total revenue from our branded business for 2021, 2022, 2023 and the three months ended March 31, 2024, 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 continue enjoying 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 Accountant's Report in Appendix I to this prospectus. 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, and we cannot assure you that Zhejiang Carote will continue to be qualified as a high and new-technology enterprise and benefit from the reduced 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, and March 31, 2024, our trade receivables amounted to approximately RMB63.6 million, RMB55.3 million, and RMB73.9 million, and RMB71.8 million respectively. In 2021, 2022, 2023 and the three months ended March 31, 2024, our average trade receivables turnover days were approximately 33.6 days, 28.3 days, 14.9 days, and 13.1 days, respectively.

We made credit loss allowance for trade receivables of RMB0.1 million, RMB0.2 million, RMB0.1 million in 2021, 2022 and 2023, respectively, and RMB0.1 million for the three months ended March 31, 2024. 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.

Fluctuations in shipping costs may have a material adverse effect on our operating results and profitability.

During the Track Record Period, we incurred shipping costs primarily related to (i) courier services for delivering products directly to our customers and transporting products to the warehouses of online marketplaces, and (ii) last-mile delivery services provided by online marketplaces, which deliver products from their warehouses to our customers. In addition, we incurred storage fees as part of the fulfillment services provided by certain marketplaces such as Amazon, which handles product receiving, storage, packing, shipping, and returns for orders. In 2021, 2022, and 2023, our shipping costs and storage fees amounted to RMB68.7 million, RMB93.7 million and RMB268.5 million, respectively, accounting for 12.5%, 19.0%, and 26.4% of our cost of sales in the respective periods. For the three months ended March 31, 2023 and 2024, our freight and storage costs were RMB43.5 million and RMB90.3 million, respectively, accounting for 24.0% and 30.8% of our cost of sales in the same periods. As our business continue to grow, we anticipate a corresponding increase in our shipping costs and storage fees. Furthermore, we may experience fluctuations in shipping costs in the future, which could be attributable to various factors beyond our control, including potential suspension and closure of services by logistic service providers, increases in labour costs or shortages of labour for these service providers, and unexpected events such as natural disasters or pandemics that could restrict the free movement of goods around the regions where our customers are located, among others. As a result, our results of operations and profitability could 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 Use of Proceeds — Use of Proceeds" 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.

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 (《中華人民共和國網絡安全法》), which took effect on June 1, 2017, the PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》), which took effect on November 1, 2021, and the PRC Data Security Law (《中華人民共和國數據安全法》), 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 (《網絡安全審查辦法》) (the "**Cybersecurity Review 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."

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, and new laws and regulations on data protection and policy may be adopted in different countries where we have operation. 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.

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, and disruptions to our supply chain and staff arrangements due to 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 for certain employees or did not make these contributions in full amount in accordance with the relevant PRC laws and regulations. See "Business — Employees." 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 (《國家稅務總局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.

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 rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have.

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.

In addition, 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.

RISKS RELATING TO OUR SHARES AND THE GLOBAL OFFERING

There has been no prior public market for our Shares, and the liquidity, market price, and trading volume of our Shares may be volatile.

Prior to the completion of the Global Offering, 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 Global Offering. The Offer Price is the result of negotiations among our Company, the Overall Coordinators (for themselves and on behalf of the Underwriters), which may not be indicative of the price at which our Shares will be traded following the completion of the Global Offering. The market price of our Shares may drop below the Offer Price at any time after the completion of the Global Offering.

The price and trading volume 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 market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price 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 volume 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 market price of our Shares.

Investors for our Shares will experience immediate dilution if we issue additional Shares in the future.

As the Offer Price of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution.

Moreover, we may exercise the Over-allotment Option 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.

Investors should read the entire prospectus and should not rely on any information contained in press articles or other media coverage regarding us and the Global Offering.

We strongly caution our investors not to rely on any information contained in press articles or other media regarding us and the Global Offering. Prior to the publication of this prospectus, there may be press and media coverage regarding the Global Offering and us. Such press and media coverage may include references to certain information that does not appear in this prospectus, 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 prospectus, we disclaim responsibility for it and our investors should not rely on such information.

Certain facts, forecast and other statistics in this prospectus derived from various government and official resources have not been independently verified.

Certain facts, forecast and statistics in this prospectus 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 government and official resources has not been independently verified by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters or any of their respective affiliates or advisors and no representation is given as to its accuracy. Further, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully how much weight should be placed on such facts, forecast and statistics.

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

This prospectus 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 prospectus, 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 prospectus. 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 prospectus, 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 Global Offering, we have sought the following waiver 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 an 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 Listing.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors (including any proposed Director who is named as such in this prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or in this prospectus misleading.

INFORMATION AND REPRESENTATION

We have not authorized anyone to provide any information or to make any representation not contained in this prospectus. You should not rely on any information or representation not contained in this prospectus as having been authorized by us, the Joint Sponsors, the Underwriters or any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. No representation is made that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications in relation to subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). It is emphasised that none of us, the Joint Sponsors, any of the Underwriters, any of their respective directors, agents, advisors, employees, personnel or any other persons or parties involved in the Global Offering accepts responsibility for any tax affairs or liabilities of any person resulting from the subscription, purchase, holding or disposal of, dealing in our Shares, or the exercise of any rights attached to our Shares.

Issuer	Carote Ltd 卡羅特（商業）有限公司
The Global Offering	The Global Offering of initially 129,864,500 Shares comprising (i) 12,986,500 new Shares for subscription by the public in Hong Kong SAR and (ii) initially 116,878,000 new Shares for subscription under International Offering (subject to reallocation and the Over-allotment Option). If the Over-allotment Option is exercised, our Company will be issuing up to 19,479,500 additional new Shares.
Offer price range	Not more than HK$5.78 and not less than HK$5.72 per Share
Over-allotment Option	Up to 19,479,500 additional new Shares to be issued by our Company.
Procedure for application for Hong Kong Offer Shares	See "How to Apply for the Hong Kong Offer Shares" in this prospectus
Conditions of the Hong Kong Public Offering	Details of the conditions of the Hong Kong Public Offering are set out in "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus.
Lock-up undertakings by our Company and the Controlling Shareholders	See "Underwriting" in this prospectus.
Share registrar	Our principal register of members will be maintained by our Company's principal share registrar, Harneys Fiduciary (Cayman) Limited in the Cayman Islands and our Hong Kong SAR branch register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited in Hong Kong SAR

Stamp duty

Dealings in the Shares registered on our Company's Hong Kong SAR branch register of members will be subject to Hong Kong SAR stamp duty. The current ad valorem rate of Hong Kong SAR stamp duty is 0.10% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. In other words, a total stamp duty of 0.20% is currently payable on a typical sale and purchase transaction involving the Shares.

Transfers of the Shares registered on our principal register of members in the Cayman Islands will not be subject to Cayman Islands stamp duty unless our Company holds an interest in land in the Cayman Islands.

Application for Listing

Application has been made to the Listing Committee for the granting of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including any Share which may be issued pursuant to the exercise of the Over-allotment Option). No part of the Share or the loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Restrictions on offer of Offer Shares

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong SAR, or the distribution of this prospectus in any jurisdiction other than Hong Kong SAR. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstance in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

Eligibility for admission into CCASS

Subject to the granting of the listing of, and permission to deal in, our Shares on the Stock Exchange and compliance of the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. You should seek the advice of your stockbroker or other professional advisor for details of those settlement arrangements as such arrangements will affect your rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

Language

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, government authorities, institutions, natural persons or other entities included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

Rounding of figure	In this prospectus, where information is presented in hundreds, thousands, ten thousands, millions, hundred millions or billions, certain amounts of less than one hundred, one thousand, ten thousand, one million, a hundred million or a billion, as the case may be, have been rounded to the nearest hundred, thousand, ten thousand, million, hundred million or billion, respectively. Unless otherwise stated, all the numerical figures are rounded to one decimal place and figures in this prospectus are in approximate figures. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.
Exchange rate	For the purpose of illustration only and unless otherwise specified in this prospectus, the following exchange rates, being the prevailing exchange rates on September 14, 2024 set by the Hong Kong Association of Banks, are adopted: RMB1.00 = HK$1.1120 US$1.00 = HK$7.8295 JPY1.00 = HK$0.0564 No representation is made that the relevant amounts in any particular could have been, or could be, converted into such other currencies or vice versa at such rates or at any other rate on such date or on any other date.
Commencement of dealing in the Shares	Dealings in our Shares on the Main Board are expected to commence at 9:00 a.m. (Hong Kong time) on Wednesday, October 2, 2024. Shares will be traded in board lots of 500 Shares each.

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)	20/F 68 Robinson Road Mid-Levels 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
SHI Zhoufeng (施周峰)	Heyage Hupo Wuhuancheng Shushan District Hefei City Anhui Province China	Chinese

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

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors and Sponsor-OCs (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
Overall Coordinators	**CMB International Capital Limited** 45th Floor, Champion Tower 3 Garden Road Central Hong Kong

	BNP Paribas Securities (Asia) Limited 60th Floor and 63rd Floor Two International Finance Centre 8 Finance Street Central Hong Kong
Joint Global Coordinators	**CMB International Capital Limited** 45th Floor, Champion Tower 3 Garden Road Central Hong Kong
	BNP Paribas Securities (Asia) Limited 60th Floor and 63rd Floor Two International Finance Centre 8 Finance Street Central Hong Kong
Joint Bookrunners	**CMB International Capital Limited** 45th Floor, Champion Tower 3 Garden Road Central Hong Kong
	BNP Paribas Securities (Asia) Limited 60th Floor and 63rd Floor Two International Finance Centre 8 Finance Street Central Hong Kong

Joint Lead Managers	**CMB International Capital Limited** 45th Floor, Champion Tower 3 Garden Road Central Hong Kong
	BNP Paribas Securities (Asia) Limited 60th Floor and 63rd Floor Two International Finance Centre 8 Finance Street Central Hong Kong
	Futu Securities International (Hong Kong) Limited 34/F, United Centre No. 95 Queensway, Admiralty Hong Kong
	Tiger Brokers (HK) Global Limited 1/F, No. 308 Des Voeux Road Central Sheung Wan Hong Kong
	Livermore Holdings Limited Unit 1214A, 12/F, Tower II Cheung Sha Wan Plaza 833 Cheung Sha Wan Road Kowloon Hong Kong
	TradeGo Markets Limited Room 3405, West Tower, Shun Tak Centre 168–200 Connaught Road Central Hong Kong

Capital Market Intermediaries

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

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

Futu Securities International (Hong Kong) Limited
34/F, United Centre
No. 95 Queensway, Admiralty
Hong Kong

Tiger Brokers (HK) Global Limited
1/F, No. 308 Des Voeux Road Central
Sheung Wan
Hong Kong

Livermore Holdings Limited
Unit 1214A, 12/F, Tower II
Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon
Hong Kong

TradeGo Markets Limited
Room 3405, West Tower, Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

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
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 Underwriters

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
Room 1401A, Tower 2, Kerry Center Qianhai
Qianhai Avenue, Nanshan District
Shenzhen, Guangdong
China

Reporting Accountant and Auditor	**PricewaterhouseCoopers** *Certified Public Accountant* *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
Receiving Bank	**CMB Wing Lung Bank Limited** CMB Wing Lung Bank Building 45 Des Voeux Road Central, Hong Kong
Transfer Pricing Advisor and Hong Kong Tax Advisor	**Acclime Tax Advisory (Hong Kong) Limited** 29th Floor, Lee Garden Two 28 Yun Ping Road Causeway Bay Hong Kong

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 prospectus)*
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** 21/F, 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. Shi Zhoufeng *(Chairman)* Ms. Yeung Shuet Fan Pamela Dr. Chan Tin Wai David
Nomination Committee	Ms. Yeung Shuet Fan Pamela *(Chairman)* Mr. Shi Zhoufeng Ms. Lyu Yili
Remuneration Committee	Dr. Chan Tin Wai David *(Chairman)* Ms. Yeung Shuet Fan Pamela Mr. Zhang Guodong
Cayman Islands Principal Share Registrar and Transfer Office	**Harneys Fiduciary (Cayman) Limited** 4th Floor, Harbour Place 103 South Church Street P.O. Box 10240 Grand Cayman KY1-1002 Cayman Islands
Hong Kong Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712–1716 17th Floor, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Compliance Advisor	**Caitong International Capital Co., Limited** Unit 2401–05, 24/F Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Principal Banks	**HSBC Bank (China) Company Limited** 27 Floor, HSBC Building Shanghai IFC 8 Century Avenue Shanghai China

The information and statistics set out in this section and other sections of this prospectus 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 Global Offering. 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, Sponsor-Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers or any other party involved in the Global Offering and no representation is given as to its accuracy.

Global Kitchenware Industry

The global kitchenware industry had a market value of US$107.0 billion in 2023 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.

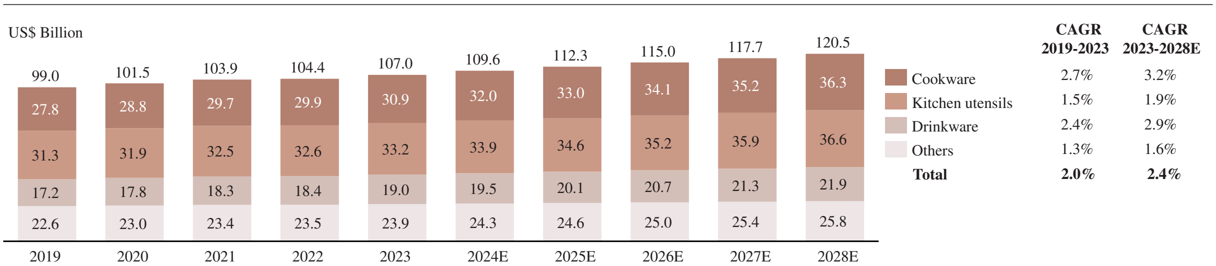
As the industry continues to grow, there is also a gradual shift in distribution channels from traditional offline sales to online sales. The shift is mainly attributed to the increased efficiency of online sales, thanks to the popularity of the online marketplace that promotes higher efficiency in logistics 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 2023, the global cookware market reached US$30.9 billion, accounting for 28.9% 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 31.1% of the overall global kitchenware market in 2023. 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.

Market size of kitchenware industry, Global, by category, 2019-2028E



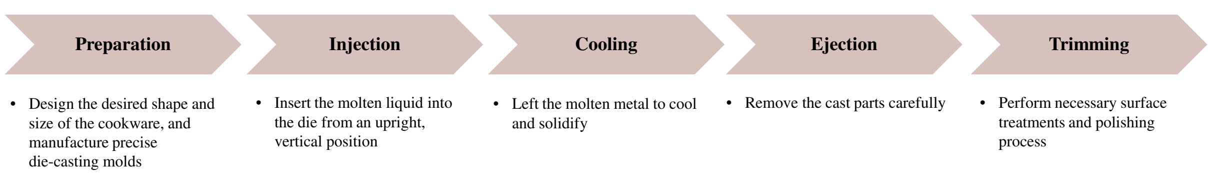
Source: International Monetary Fund, World Bank, CIC Report

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$30.9 billion in 2023. 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$36.3 billion in 2028. 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.

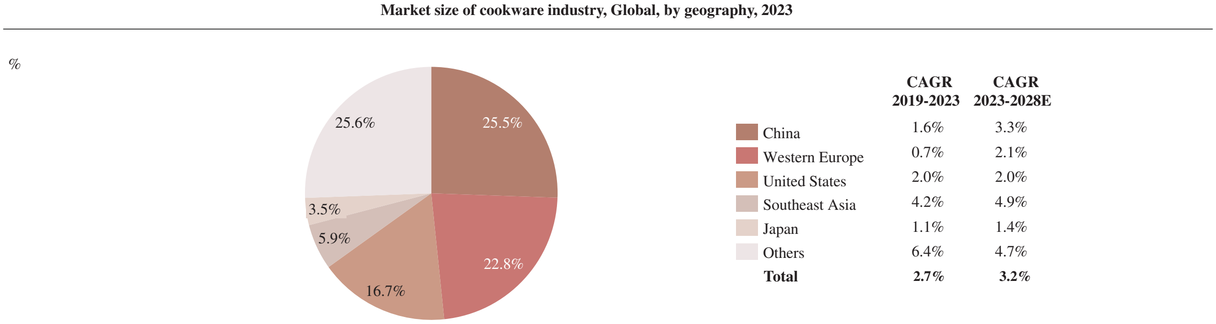
In terms of cookware categories, as the younger generation of consumers are more likely to prioritize high-quality lifestyles and value relaxed cooking experiences, consumers now seek high-quality, trendy cookware, spurring product innovation such as baby food pots and breakfast pans. In addition to 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$12.6 billion in 2023, accounting for 40.7% of the overall cookware market.

In terms of processing technology, die-casting, a method wherein cookware is shaped under pressure after molten metal is injected into a pre-designed mold, can minimize material waste, thereby enhancing material utilization efficiency. Furthermore, the die-casting process enables precise control of dimensions and shapes, reducing the risk of product deformation and damage, resulting in enhanced durability for cookware. Additionally, die-cast cookware typically features a sturdy base and thin walls, promoting more uniform heating of food over an open flame. Consequently, die-cast cookware often demonstrates strong competitiveness. However, die-cast technology generally entails higher production costs, leading to increased selling prices in the final products.



From a global standpoint by geographic mix, China, Western Europe, and the United States enjoy substantial global strategic significance, representing a market share of 25.5%, 22.8%, and 16.7% respectively, in the global cookware market in terms of retail sales value in 2023. The chart below illustrates the market size of global kitchenware industry by geographic market in 2023.

Market size of cookware industry, Global, by geography, 2023



Source: International Monetary Fund, World Bank, CIC Report

Market Drivers of the Global Cookware Industry

Changing home cooking requirements and lifestyles: As health consciousness and food safety concerns rise, more households are opting to cook at home, broadening the user base for cookware. The COVID-19 outbreak has drastically altered people's behavior patterns, proving the feasibility of remote work across various industries and boosting acceptance among employers and consumers, which in turn has accelerated the trend of cooking at home. 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. The ever-increasing demand for better features or functions of products amid rising living standards such as easy cleaning and higher performance products drives cookware manufacturers to accelerate product iterations and continually introduce products that align better with market demands, thereby enticing consumers to make more purchase.

Diversification of consumer dietary habits: The increased use of social media has promoted greater global diversification of cooking habits and cooking methods, which in turn has been instrumental in shaping the design and technological integration of cookware suitable for diverse cooking methods. Meanwhile, the fusion of global culinary culture has further expedited the global demand for cookware tailored to specific dietary preferences. Consequently, 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 e-commerce channel has consolidated niche and specialized product category demands from various regions, prompting cookware manufacturers to proactively broaden their product offerings, expedite product iterations, and continually introduce high-quality and diverse products. This diversification in cookware caters to a broader range of kitchen scenarios, providing consumers with an extensive selection. Additionally, the emergence of social media such as Facebook, Instagram, and TikTok helps customers precisely find their preferred cookware, while videos shown on the platforms enables easier discovery of new product features. Consequently, consumers are encouraged to increase their cookware ownership. 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 24.6% between 2019 and 2023. 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.

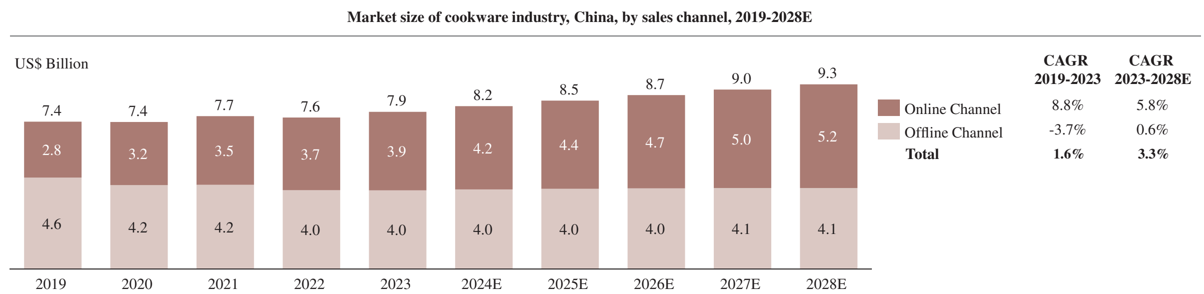
Supply chain management: The ability to manage supply chain and to ensure a sustainable profit market is a key entry barrier. Brands with their own manufacturing capabilities typically can manufacture products at lower cost but have high capital expenditure requirements which may face pressures to maintain 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. A lower minimum order quantity 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 60.6% in 2019 to 66.2% in 2023, coupled with the growth in the per capita disposable income of urban residents from RMB42,359 in 2019 to RMB51,812 in 2023, China's cookware market expanded from US$7.4 billion in 2019 to US$7.9 billion in 2023.

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 38.0% in 2019 to 50.0% in 2023. 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$3.9 billion in 2023 and is expected to further increase to US$5.2 billion by 2028. The chart below illustrates the actual and forecast market size of China's cookware industry by sales channel for the period indicated.



Source: *International Monetary Fund, World Bank, 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 15.2% market share in 2023 in terms of online retail sales value and the Group is one of the top five brands with a market share of approximately 1.2%. 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, 2023

Rank	Company	Retail sales value generated from the cookware business in 2023, RMB billion	Market share in terms of retail sales value generated from the cookware business in 2023, %
1	Company A	~2.2	~7.9%
2	Company B	~0.8	~2.9%
3	Company C	~0.6	~2.2%
4	The Group	0.3	1.2%
5	Company D	~0.3	~1.1%

Source: *CIC Report*

Notes:

(1) Company A was established in 1994 and headquartered in Hangzhou. It has three major business areas: open flame cookers, small kitchen appliances, and kitchen and bathroom appliances, and has a rich product line. It is a listed company on the SZSE.

(2) Company B was established in 2012 and headquartered in Zhejiang. It currently has multiple product lines such as honeycomb pots, stainless steel pots, energy-saving pots, small kitchen appliances, kitchen accessories, knives, etc.

(3) Company C was established in 1983 and headquartered in Yongkang. Its products include stir-frying, frying, soup, steaming and other types of pots and kitchen appliances.

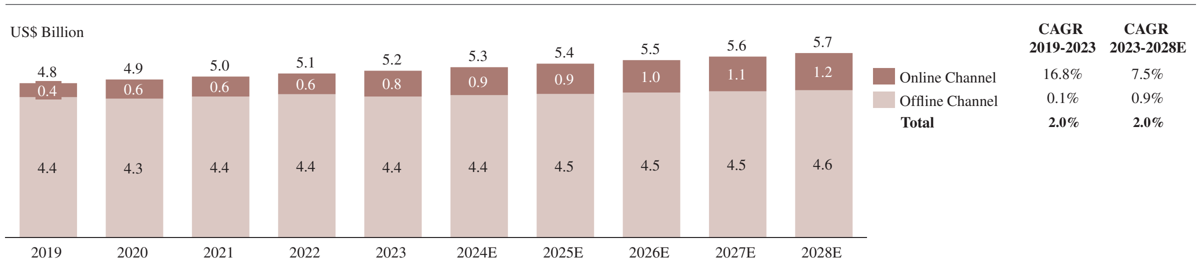
(4) Company D was established in 1994 and headquartered in Jinan. It mainly covers soymilk machines, wall-breaking machines, rice cookers, air fryers, cooking utensils, water purifiers, electric steamers, boiling water cookers, noodle machines and other products. It is a listed company on the SZSE.

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$5.2 billion in 2023 and is expected to increase to US$5.7 billion by 2028.

The development of e-commerce platform technologies has driven the increase in online sales as a proportion of the U.S. cookware market. In 2023, the market size of online sales in the United States accounted for 15.5% of the total market size, demonstrating significant growth potential with a projected online cookware market size of US$1.2 billion by 2028. The chart below illustrates the actual and forecast market size of US's cookware industry by sales channel for the period indicated.

Market size of cookware industry, the U.S., by sales channel, 2019-2028E



Source: International Monetary Fund, World Bank, 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 approximately 42.1% market share in 2023 in terms of online retail sales value and the Group is one of the top two brands with a market share of approximately 13.1%. 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, 2023

Rank	Company	Market share in terms of retail sales value generated from the cookware business in 2023, %
1	Company E	~14.9%
2	The Group	13.1%
3	Company F	~6.0%
4	Company G	~5.6%
5	Company H	~2.5%

Source: CIC Report

Notes:

(1) Company E was established in 1896 and headquartered in the United States. It specializes in cast iron pots and pans.

(2) Company F was established in 1956 and headquartered in France. It provides a diverse range of cookware, small appliances, and kitchen accessories.

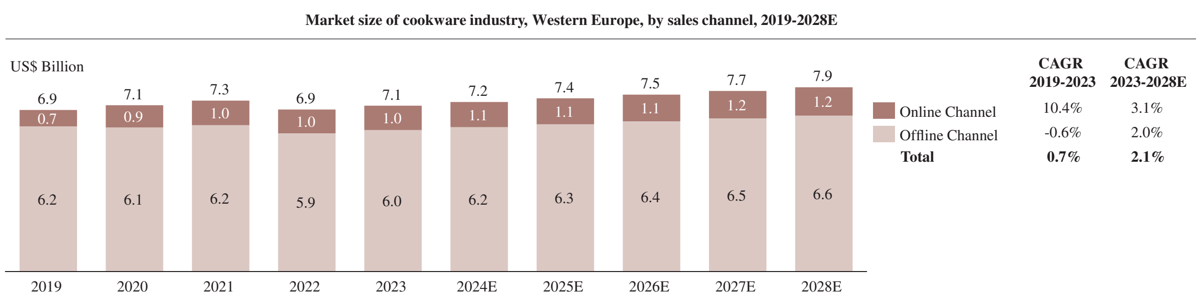
(3) Company G was established in 1911 and headquartered in Brazil. Its products mainly include various kitchen utensils and equipment, appliances, tools for agriculture, gardening, industrial and automotive maintenance, civil construction, electrical materials, wood and plastic furniture, utility vehicles, in addition to the latest porcelain table sets.

(4) Company H was established in 1971 and headquartered in the United States. It is a full-service culinary resource with a wide array of products.

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 2023, the cookware market in Western Europe is US$7.1 billion. The market is expected to reach US$7.9 billion by 2028.

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 2023 to US$1.2 billion in 2028. The chart below illustrates the actual and forecast market size of Western Europe's cookware industry by sales channel for the period indicated.



Source: *International Monetary Fund, World Bank, 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 15.0% market share in 2023 in terms of online retail sales value and the Group is one of the top three brands with market share of approximately 1.3%. 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, 2023

Rank	Company	Market share in terms of retail sales value generated from the cookware business in 2023, %
1	Company F	~8.7%
2	Company I	~3.4%
3	The Group	1.3%
4	Company J	~1.0%
5	Company K	~0.6%

Source: *CIC Report*

Notes:

(1) Company F was established in 1956 and headquartered in France. It provides a diverse range of cookware, small appliances, and kitchen accessories.

(2) Company I was established in 1853 and headquartered in Germany. Its products cover hundreds of products in five major categories, including meal preparation, cooking, dining, drinking and small household appliances.

(3) Company J was established in 1901 and headquartered in Italy. It specializes in cookware, cutlery and other kitchenware.

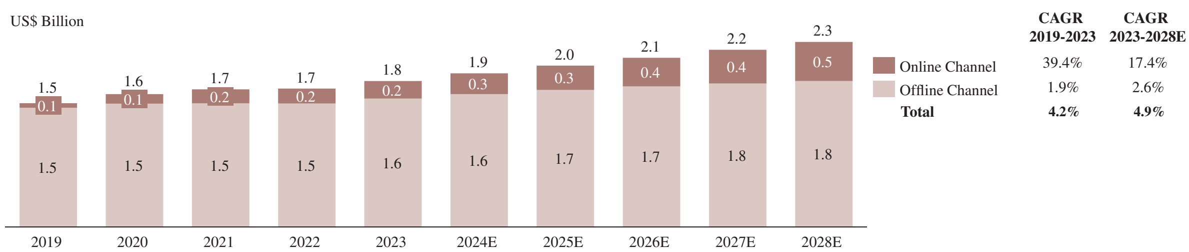
(4) Company K was established in 1731 and headquartered in Germany. It provides a wide range of kitchen essentials, including knives, cookware, cutlery, and small appliances.

Southeast Asia Cookware Industry

Southeast Asia, with a projected population of 707.0 million by 2028, 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$1.8 billion in 2023 to US$2.3 billion by 2028.

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 3.7% in 2019 to 10.9% in 2023. 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$0.5 billion in 2028 from US$0.2 billion in 2023. The chart below illustrates the actual and forecast market size of Southeast Asia's cookware industry by sales channel for the period indicated.

Market size of cookware industry, Southeast Asia, by sales channel, 2019-2028E



Source: *International Monetary Fund, World Bank, 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 approximately 35.8% market share in 2023 in terms of online retail sales value and the Group is one of the top two brands with a market share of approximately 8.6%.

Ranking of Southeast Asia's online cookware industry, by retail sales value, 2023

Rank	Company	Market share in terms of retail sales value generated from the cookware business in 2023, %
1	Company F	~10.1%
2	The Group	8.6%
3	Company I	~6.2%
4	Company L	~5.9%
5	Company M	~5.0%

Source: *CIC Report*

Notes:

(1) Company F was established in 1956 and headquartered in France. It provides a diverse range of cookware, small appliances, and kitchen accessories.

(2) Company I was established in 1853 and headquartered in Germany. Its products cover hundreds of products in five major categories, including meal preparation, cooking, dining, drinking and small household appliances.

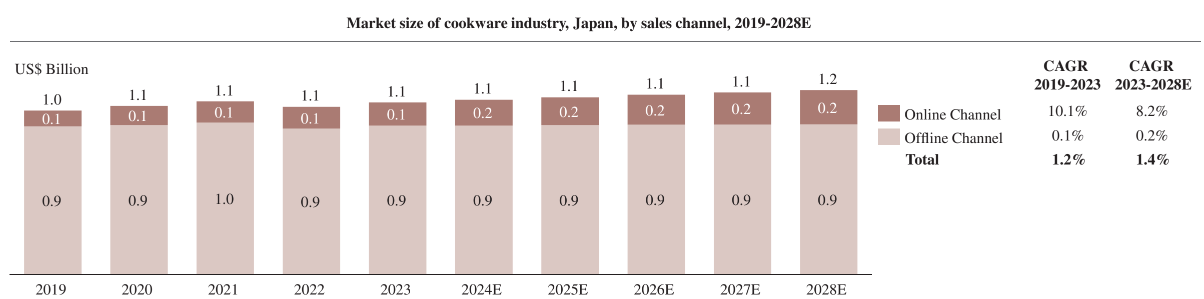
(3) Company L was established in 2018 and headquartered in China. It specializes in kitchenware and kitchen appliances.

(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 2023, the market size of the cookware market in Japan was US$1.1 billion and is projected to reach US$1.2 billion by 2028.

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 2023 to US$0.2 billion in 2028. The chart below illustrates the actual and forecast market size of Japan's cookware industry by sales channel for the period indicated.



Source: International Monetary Fund, World Bank, 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 44.3% and the largest player, which is an international brand headquartered in France, has a market share of approximately 17.9%, in terms of online retail sales value in 2023. The Group is one of the top five players with a market share of approximately 8.1% in 2023.

Ranking of Japan's online cookware industry, by retail sales value, 2023

Rank	Company	Market share in terms of retail sales value generated from the cookware business in 2023, %,
1	Company F	~17.9%
2	Company N	~10.3%
3	The Group	8.1%
4	Company O	~4.5%
5	Company P	~3.4%

Source: CIC Report

Notes:

(1) Company F was established in 1956 and headquartered in France. It provides a diverse range of cookware, small appliances, and kitchen accessories.

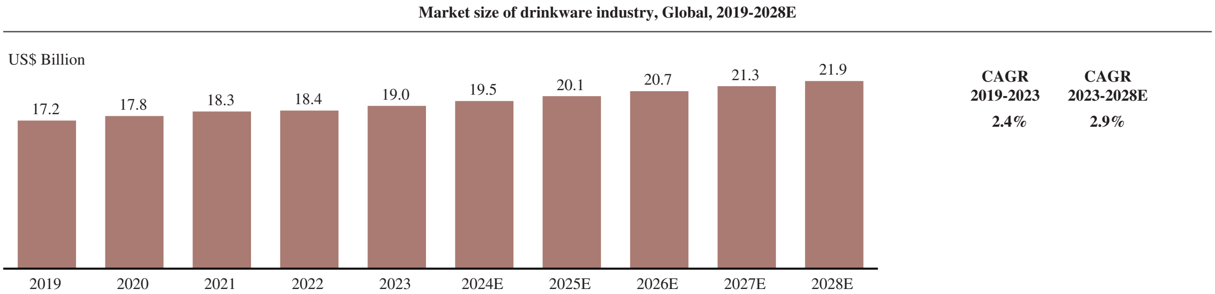
(2) Company N was established in 1904 and headquartered in Germany. It mainly manufactures insulated food and beverage containers and other consumer products.

(3) Company O was established in 1951 and headquartered in Japan. It mainly designs and sells frying pans, pots, and other kitchen utensils.

(4) Company P was established in 1974 and headquartered in Japan. Its main products include home appliances, watches and jewelry, food, alcohol, sportswear, sports shoes, imported bags, imported groceries, household products, kitchenware, interior decoration products, and storage products.

GLOBAL DRINKWARE INDUSTRY

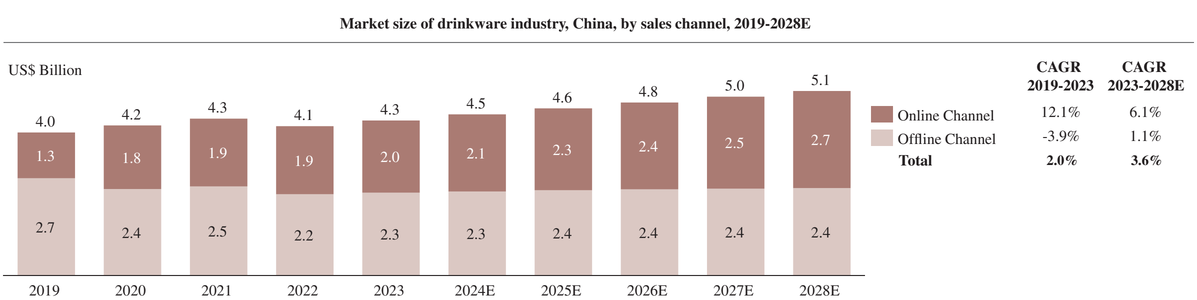
Drinkware constitutes one of the most indispensable categories of kitchenware in everyday life. As consumers upgrade their lifestyle, they increasingly gravitate towards the refined aesthetics and distinctive designs of drinkware items. Manufacturers endowed with the agility to innovate swiftly and align 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, the global drinkware market is expected to grow from US$19.0 billion in 2023 to US$21.9 billion in 2028. The chart below illustrates the actual and forecast market size of the global drinkware industry for the period indicated.



Source: International Monetary Fund, World Bank, CIC Report

China's Drinkware Industry

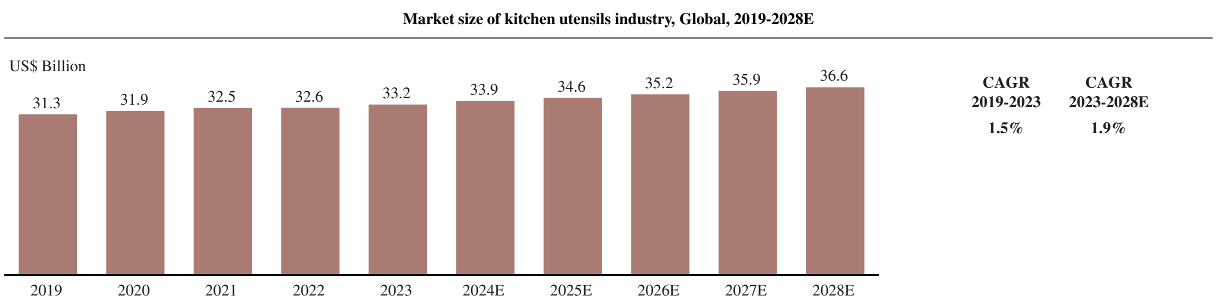
The distinctive attributes of drinkware, characterized by its inherent lightweight design and reduced reliance on offline experiential shopping, render it well-suited for online retail channels. These qualities translate into lower delivery costs, particularly evident in non-glass drinkware, and facilitate 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$2.0 billion in 2023 to US$2.7 billion by 2028. The chart below illustrates the actual and forecast market size of China's drinkware industry by sales channel for the period indicated.



Source: International Monetary Fund, World Bank, CIC Report

GLOBAL KITCHEN UTENSILS INDUSTRY

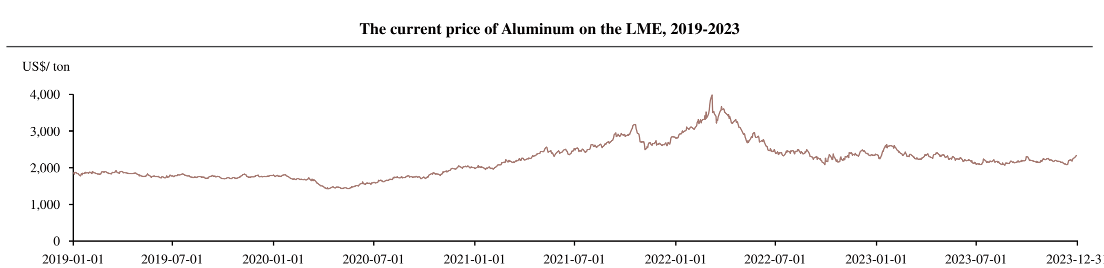
In addition to cookware, chefs also rely on essential kitchen utensils to assist them in the cooking process. These utensils facilitate a variety of food preparation tasks, featuring ongoing innovation in materials, designs, and functionalities to meet the evolving needs of both home cooks and professional chefs. Given changing consumer preferences, technological advancements, and shifting market trends, the kitchen utensils market is expected to continue growing, projected to increase from US$ 33.2 billion in 2023 to US$ 36.6 billion in 2028. The chart below illustrates the actual and forecast market size of the global kitchen utensils industry for the period indicated.



Source: International Monetary Fund, World Bank, CIC Report

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 2019 to 2023, 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 total cost. 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 at a fee of approximately RMB670,000. 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 Filing of Customs Declaration Entities

Pursuant to the Administrative Provisions of the Customs of the PRC on the Filing of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》), which was promulgated by the General Administration of Customs on November 19, 2021 and took effect on January 1, 2022, the consignees and consignors of imported or exported goods and the customs brokers engaged in customs declarations shall undergo recordation formalities at the relevant customs administration department in accordance with the law.

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, sale, 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.

Administrative Measures for Pollutant Discharge Licensing

Regulation on the Administration of Pollutant Discharge Licensing (《排污許可管理條例》), which was promulgated by the State Council on January 24, 2021 and took effect on March 1, 2021, and the Administrative Measures for Pollutant Discharge Licensing (《排污許可管理辦法》), which was promulgated by the Ministry of Ecology and Environment of the PRC on April 1, 2024, and became effective on July 1, 2024, will replace the Administrative Measures for Pollutant Discharge Licensing (For Trial Implementation) (《排污許可管理辦法(試行)》), and stipulate that the enterprises, public institutions and other production operators included in the classified management catalog of pollutant discharge permits for stationary pollution sources shall apply for and obtain a pollutant discharge permit as per the prescribed time limit; and those are not included in the catalog are not required to do so for the time being. 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年版]) was promulgated by Ministry of Ecology and Environment of the PRC. 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年版]》) 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) (《鼓勵外商投資產業目錄(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年版)》) (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. The Special Management Measures (Negative List) for the Access of Foreign Investment (2024) (《外商投資准入特別管理措施(負面清單) (2024年版)》) was adopted on August 19, 2024.

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

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.

The Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) (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 (《國家税務總局關於税收協定中"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 (《國家税務總局關於執行税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 (《非居民納税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佈特別納稅調查調整及相互協商程序管理辦法的公告》) which 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 for Outbound Data Transfer《數據出境安全評估辦法》, which became effective on September 1, 2022. According to the Security Assessment Measures for Outbound Data Transfer, where a data processor outbound transfers data, the data processor 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 processor processing the personal information of more than one million individuals transfers personal information abroad; (3) a data processor 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 processor shall apply for a outbound data transfer security assessment as stipulated by the CAC. On March 22, 2024, the CAC promulgated the Provisions on Promoting and Regulating Cross-Border Data Flows (《促進和規範數據跨境流動規定》), effective on the date of promulgation. The provisions provide several exemptions from undergoing data security assessment, obtaining personal information protection certification or entering into standard contract for outbound transfer of personal information for businesses. These exemptions include, among others, the scenario where a data processor, other than a CIIO, has cumulatively transferred overseas personal information, excluding sensitive personal information, of fewer than 100,000 individuals since January 1 of the current year. A data processor, other than a CIIO, shall enter into a standard contract with overseas recipients for the cross-border transfer of personal information or obtain certification for personal information protection if since January 1 of the current year, the data processor has cumulatively transferred to overseas recipients (a) personal information of more than 100,000 but less than 1,000,000 individuals, excluding sensitive personal information, or (b) sensitive personal information of less than 10,000 individuals. The provisions also explicitly state that data processors are not required to conduct data security assessment for cross-border transfer of important data if the data has not been notified or published as important data by relevant departments or regions.

Measures on the Standard Contract for Outbound Transfer of Personal Information

On February 22, 2023, the CAC promulgated 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**"), which became effective on June 1, 2023. According to the Standard Contract Measures, where a personal information processor outbound transfers personal information, the personal information processor may choose to use a prescribed standard contract and file it through the local CAC at the provincial level to fulfill its obligations for outbound transfer of 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.

REGULATIONS RELATING TO OVERSEAS LISTINGS

The Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law

On July 6, 2021, the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》) was jointly issued by the General Office of the Communist Party of China Central Committee and the General Office of the State Council, which steps up scrutiny of overseas listings by companies and calls for strengthening cooperation in cross-border regulation, amending relevant laws and regulations on cyber security, cross-border data transmission and confidential information management, including the confidentiality requirement and file management related to the issuance and listing of securities overseas, enforcing the primary responsibility of the enterprises for information security of Chinese-based overseas listed companies and promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by Chinese-based overseas-listed companies.

The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") and five relevant guidelines, which came into effect on March 31, 2023. The Overseas Listing Trial Measures provide that (i) domestic companies that seek to offer or list securities overseas, both directly and indirectly, should complete a filing procedure and submit relevant information to the CSRC; in the event of subsequent offering and occurrence of certain major events, domestic companies shall also complete relevant filing procedures and submit information to the CSRC; if a domestic company fails to complete the filing procedures, omits any material fact, falsifies any content or contains any misleading statement in its filing documents, such domestic company may be subject to administrative penalties, such as an order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines; (ii) if both of the following conditions are met, the overseas offering and listing shall be determined as an indirect overseas offering and listing by a domestic company: (a) any of the revenue, total profit, total asset, or net asset of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figures in the issuer's audited consolidated financial statements for the same period; and (b) its major operational activities are carried out in the PRC or its main place of business is in the PRC, or members of the senior management in charge of business operation and management are mostly Chinese citizens or are domiciled in the PRC; (iii) where a domestic company seeks to indirectly offer and list securities in an overseas market, the issuer shall designate a major domestic operating entity as the responsible entity for the filing procedures with the CSRC; and (iv) where an issuer makes an application for initial public offering and listing in an overseas market, the issuer shall file with the CSRC within three business days after such application is submitted.

On February 17, 2023, the CSRC also held a press conference for the promulgation of the Overseas Listing Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (《中國證監會關於境內企業境外發行上市備案管理安排的通知》), which, among others, clarified that (i) domestic companies that had already submitted valid applications for overseas offering and listing prior to the effective date of the Overseas Listing Trial Measures, but have not obtained approval from overseas regulatory authorities or stock exchanges, may reasonably arrange the timing for submitting their filing applications with the CSRC, and shall complete the filing before their overseas offering and listing; (ii) a six-month transition period will be granted to domestic companies which, prior to the effective date of the Overseas Listing Trial Measures, had already obtained the approval from overseas regulatory authorities or stock exchanges, but have not completed the overseas offering and listing; if such domestic companies complete the overseas listing within such six-month transition period, they are not subject to the filing procedures with the CSRC regarding their overseas offering and listing; and (iii) as for companies seeking overseas listing with contractual arrangements, the CSRC will solicit opinions from relevant regulatory authorities.

Compliance with the Overseas Listing Trial Measures

Pursuant to the provisions of the Overseas Listing Trial Measures and relevant guidelines, a domestic enterprise engaged in indirect overseas issuance and listing (i.e., an enterprise whose principal business activities are in the territory that issues and lists overseas in the name of an enterprise registered abroad based on equity interests, assets, revenues, or other similar interests in the domestic enterprise) must designate a major domestic operating entity as the responsible entity for filing documents with the CSRC. As advised by the PRC Legal Advisor, the Company has complied with the Overseas Listing Trial Measures and relevant guidelines by designating Zhejiang Carote, its principal operating entity in China, for filing with the CSRC.

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) (the "**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. The U.S. tariffs rate applicable to the Group's products remained stable during the Track Record Period.

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.

The Applicability and Possible Impact of the De Minimis Exemption under Section 321 of Tariff Act of 1930

Introduction

Section 321 of the Tariff Act of 1930, as amended, provides an administrative exemption to admit free-from-duty and tax shipments of merchandise (with certain exceptions) imported by one person on one day having an aggregate fair retail value in the country of shipment of no more than $800. This exemption is known as the "**De Minimis Exemption**".

Purposes of the De Minimis Exemption

The purposes of the De Minimis Exemption are: (i) to enable the U.S. Government to monitor and protect against illegitimate trade while providing the public the benefits of duty-free shipments for qualified imports; (ii) to avoid expense and inconvenience to the U.S. Government disproportionate to the amount of revenue that would otherwise be collected; and (iii) to enable enterprises to conduct business more efficiently and less costly.

Applicability

To apply the De Minimis Exemption, the following conditions shall be satisfied: (i) the merchandise imported shall not be gifts or articles accompanying persons arriving in the United States (or a lower threshold will apply); (ii) the merchandise imported by one person on one day having an aggregate fair retail value in the country of shipment of no more than US$800; and (iii) the merchandise covered by a single order or contract shall not be forwarded in separate lots to secure the benefit of the De Minimis Exemption.

The Proportion of Revenue Benefited from the De Minimis Exemption

During the Track Record Period, products of Carote USA were purchased from Zhejiang Carote and imported to the United States in different batches. Since each batch of imports was of greater value than US$800, the De Minimis Exemption did not apply. Consequently, (i) the Group's total revenue attributable to deliveries to the United States that benefited from the De Minimis Exemption during the Track Record Period was nil, and (ii) the proportion of revenue that benefited from the De Minimis Exemption was nil.

Potential Tariff Shift

It is important to clarify that while the Tariff Act of 1930, as amended, as well as other laws related to tariffs and taxes, are rooted in legal frameworks, the question of potential shifts in tariffs is inherently tied to the domain of policy rather than strict legal interpretation or application. Policy changes, especially those related to tariffs and trade, are subject to a myriad of factors including change of administrations, geopolitical events, international trade negotiations, economic goals, and administrative priorities. Therefore, predicting the likelihood and timeline of changes to tariff laws involves a level of speculation that goes beyond legal expertise and into the realm of political and economic forecasting. As such, offering an accurate prediction on policy shifts, including those affecting tariffs under Section 321, falls outside the purview of legal practice and enters into policy analysis, a field that requires a different set of skills and considerations.

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 application form, 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 global brand for kitchenware products. Within eight years since we launched our brand "CAROTE" in 2016, we have achieved a notable 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", aiming to provide our customers with practical, well-designed, and reasonably priced items that promote a modern cooking lifestyle.

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, 2023 and the three months ended March 31, 2024, we launched 520, 1,305, 1,374 and 361 SKUs of our own-branded products, respectively. As of the Latest Practicable Date, our portfolio includes a diverse range of over 2,500 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 notable presence in the online cookware industry across key markets globally, ranking fourth in China, second in the United States, third in Western Europe, second in Southeast Asia, and third in Japan in terms of retail sales value in 2023, according to the CIC Report.

The progression of our business reflects a strategic development based on our understanding of market needs 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, supported by a business model that emphasizes direct customer engagement through online sales channels. This strategic move quickly positioned us as a fast-growing brand for 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 contract manufacturers 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 Global Offering, 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

Year	Milestone
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
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 additional capital injections in the amount of RMB13,750,000 and RMB11,250,000 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.

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	16,500,000	55%
Mr. Zhang	13,500,000	45%
Total	**30,000,000**	**100%**

Restructuring in November 2021

In contemplation of listing, 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

To meet the rising demands for greater production capacity and efficiency as our branded business continued to expand, we made our strategic transition from relying on a combination of outsourced manufacturing by qualified manufacturing partners and in-house production to a fully outsourced and asset-light model from February 2022. To fully implement such transition, 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 Zhejiang Jiaxin Tax Agent Co., Ltd. Yongkang Branch (浙江佳信稅務師事務所有限公司永康分公司), 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.

As advised by the PRC Legal Advisor, based on the compliance certificates issued by the relevant government departments, during the Track Record Period, the operations of Zhejiang Leshengen and Gangle Kitchenware as well as relevant assets (e.g. Yongkang Land Parcel held by Zhejiang Leshengen and the two construction projects on the land parcel held by Gangle Kitchenware located in an industrial park in Wuyi County) had complied with the relevant laws and regulations in all material aspects.

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 the Listing, 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.

As at the Latest Practicable Date, save for the leases of certain premises to our Group by Zhejiang Leshengen, neither Zhejiang Leshengen and Gangle Kitchenware were engaged in any business operations after completion of the abovesaid corporate division. For further details of the Zhejiang Leshengen Lease, see "Connected Transactions — One-off Connected Transaction".

Major Shareholding Changes of Carote Japan

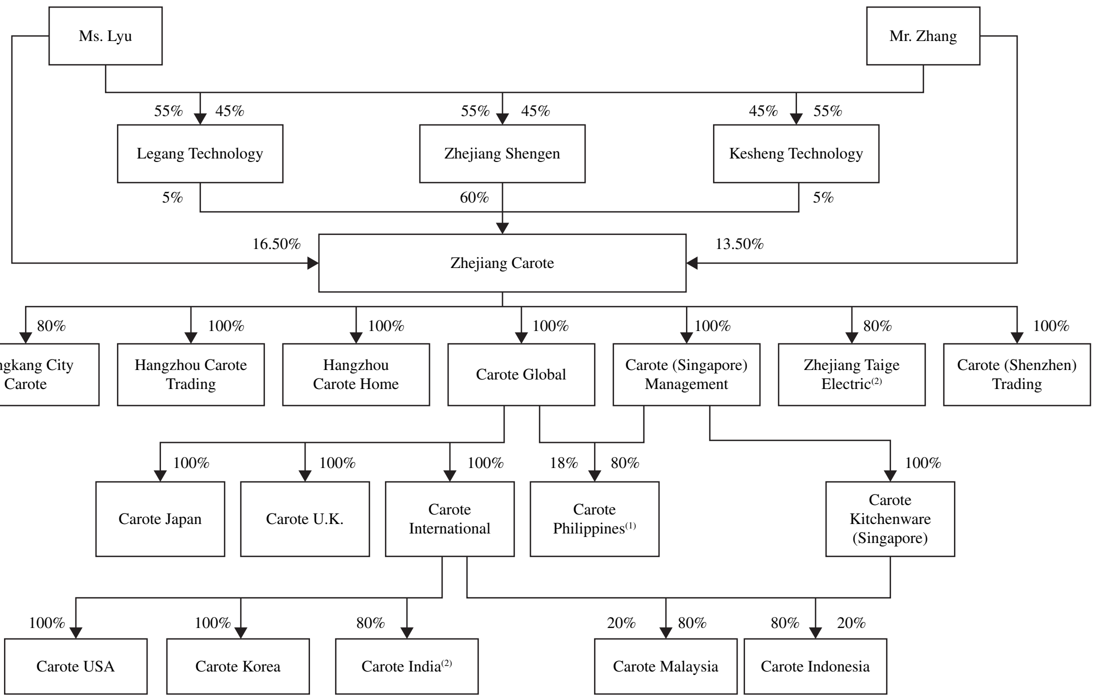
Carote Japan was established in Japan on June 25, 2020, and its sole founder shareholder was Mr. Zhang, holding 300 shares. On August 31, 2021, Mr. Zhang transferred 300 shares of Carote Japan to Carote Global at a consideration of US$27,309. Such consideration was determined based on arms' length negotiation 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 prospectus, 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 Global Offering, 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, and 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-IPO Investment, see "— Pre-IPO 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-IPO Investment — Background of Mr. Hartinger and Denk Trade".

(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-IPO Investment — Background of Mr. Hartinger and Denk Trade".

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-IPO Investment, see "— Pre-IPO 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-IPO Investment — Background of Mr. Hartinger and Denk Trade".

(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 establishment of Carote CM".

(2) Denk Trade is wholly-owned by Mr. Hartinger. For more information regarding Mr. Hartinger, see "— Pre-IPO Investment — Background of Mr. Hartinger and Denk Trade".

PRE-IPO INVESTMENT

Terms of the Pre-IPO Investment

For details of the Pre-IPO 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 November 2, 2023, 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 4,056,600 Shares pursuant to the Share Subdivision, representing a cost per Share of approximately RMB0.17 per Share, being a discount of 96.7% to the Offer Price (assuming that the Offer Price is HK$5.75 per Offer Share, being the mid-point of the indicative Offer Price Range). The proceeds of the Pre-IPO Investment 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 Pre-IPO Investment.

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, was a director of Carote Germany, a subsidiary of the Company which was newly established in October 2023 until her resignation from the position in March 2024. 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 Global Offering, Denk Trade held 1.00% of the entire issued share capital in our Company. Immediately after completion of the Global Offering (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option), Denk Trade will hold approximately 0.76% of the entire issued share capital of our Company.

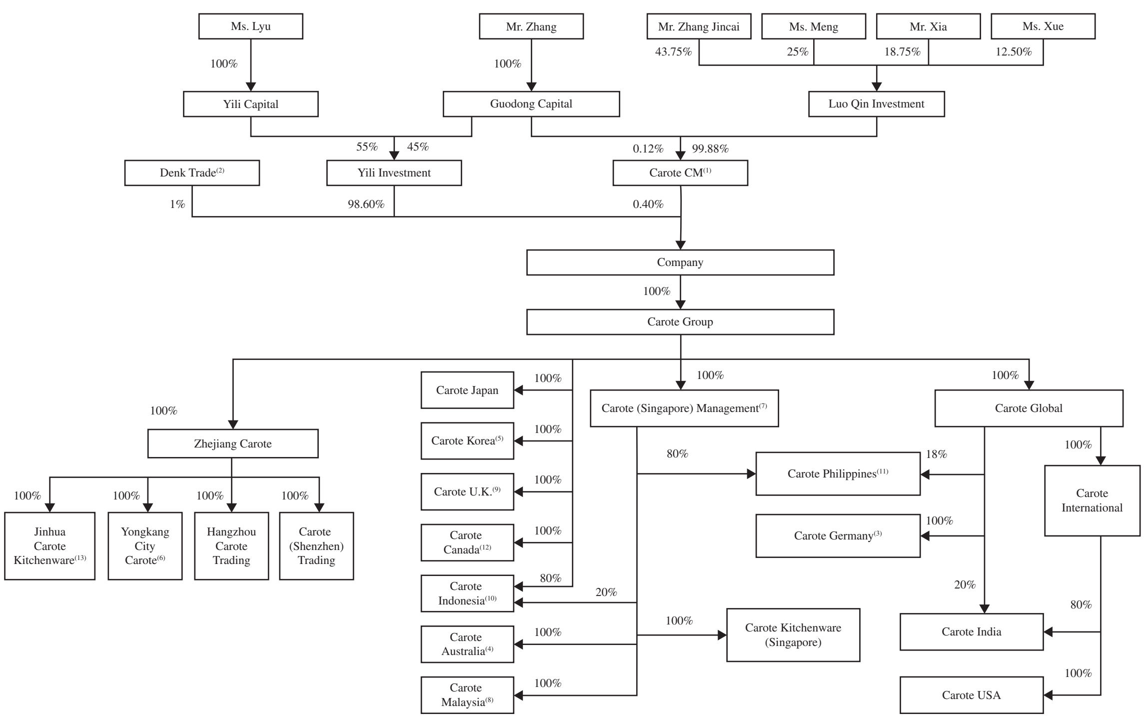
The Shares held by Denk Trade will be considered as part of the public float after Listing for the purpose of Rule 8.24 of the Listing Rules as Denk Trade is wholly-owned by Mr. Hartinger and both of them are not core connected persons of the Company. Mr. Hartinger's spouse, Ms. Natja Denk, ceased to be a director of Carote Germany in March 2024 and therefore is no longer a core connected person of the Company, and accordingly, as close associates of Ms. Natja Denk, Mr. Hartinger and Denk Trade are also no longer core connected persons of the Company.

Joint Sponsors' confirmation

On the basis that (i) the consideration for the Pre-IPO Investment was irrevocably settled more than 28 clear days before the date of first filing of the listing application to the Stock Exchange; and (ii) no special rights were granted to Denk Trade or Mr. Hartinger in connection with the Pre-IPO Investment, the Joint Sponsors confirm that the Pre-IPO Investment is in compliance with the Pre-IPO Investment 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 GLOBAL OFFERING

The following chart sets forth our Group's corporate and shareholding structure immediately after completion of the Reorganization but prior to the Global Offering:



Notes:

(1) Guodong Capital, which is a company wholly-owned by 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-IPO Investment — Background of Mr. Hartinger and Denk Trade".

(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.

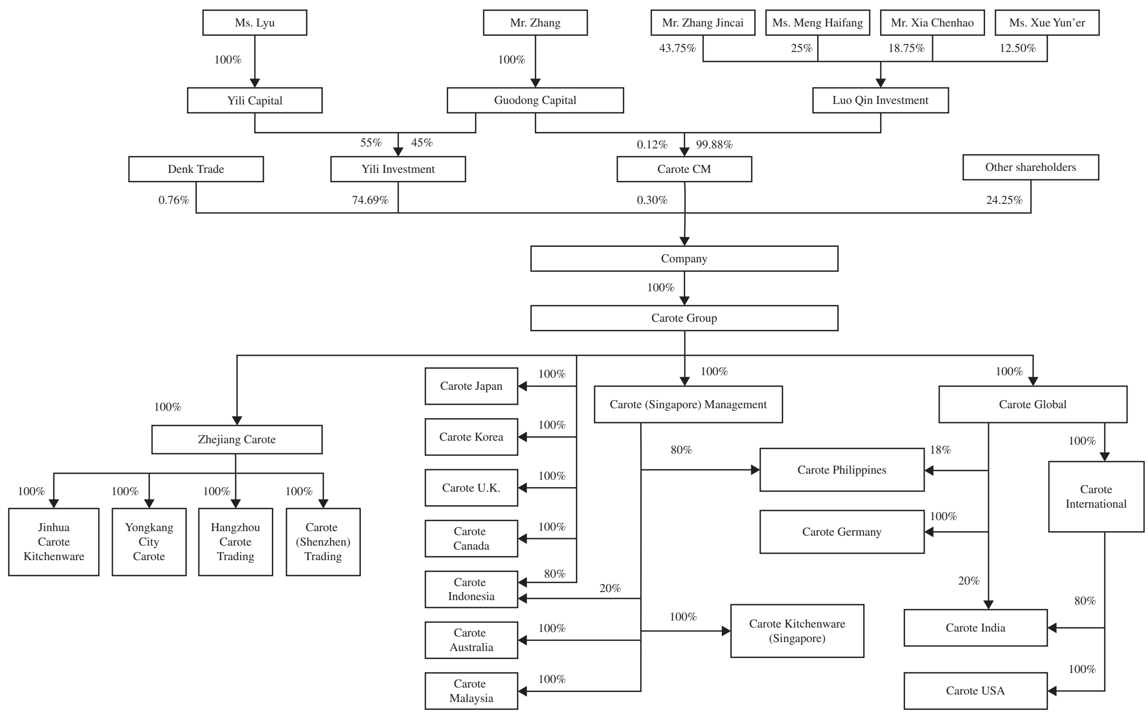
(11) Upon its incorporation and as of the Latest Practicable Date, Carote Philippines is held as to 80% by Carote (Singapore) Management, 18% by Carote Global, 1% by Mr. Zhang and 1% by Ms. Lyu.

(12) Carote Canada was established under the Business Corporations Act (British Columbia) of Canada on April 24, 2024 and its incorporator was Carote Group.

(13) Jinhua Carote Kitchenware was established under the Company Law of the People's Republic of China on July 25, 2024 and its incorporator was Zhejiang Carote.

OUR STRUCTURE IMMEDIATELY FOLLOWING THE GLOBAL OFFERING

The following chart sets forth our Group's corporate and shareholding structure immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.



Note: See notes under the table in "— Our Structure Immediately Prior to the Global Offering".

Public Float

The Shares held by our Controlling Shareholders, representing approximately 74.99% of our total issued Shares upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised), will not be counted towards public float.

As our pre-IPO investor, Denk Trade, is not a core connected person of our Company, the Shares held by Denk Trade, representing approximately 0.76% of the total issued Shares upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), will be counted towards public float.

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 Global Offering) will count towards the public float 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 (i) whether or not the domestic shareholder of the domestic company is connected with the foreign investor; or (ii) whether the foreign investor is an existing shareholder or a new investor.

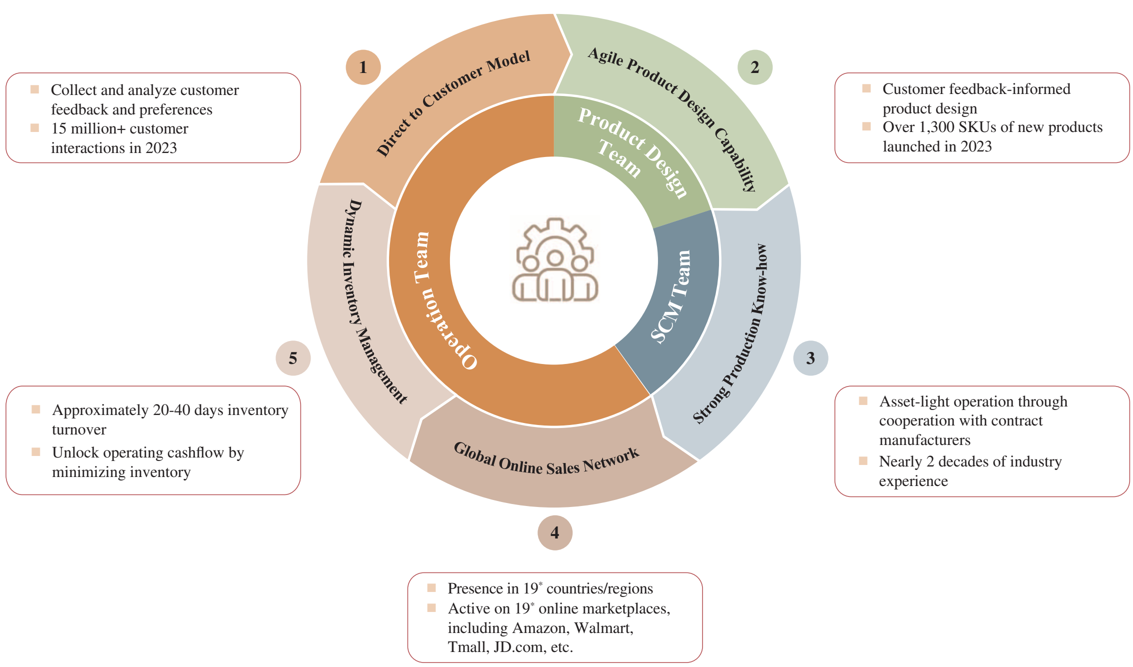
As advised by our PRC Legal Advisor, (1) given that Mr. Hartinger is a natural person of foreign nationality and together with Denk Trade, and did not have a connected relationship with our Group at the time of Denk Trade's subscription of 1.00% of the equity interest in Zhejiang Carote, approval from 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 global brand for kitchenware products. Within eight years since we launched our brand "CAROTE" in 2016, we have achieved a notable 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", aiming to provide our customers with practical, well-designed, and reasonably priced items that promote a modern cooking lifestyle.

Our 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.



** As of the Latest Practicable Date*

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 kitchenware products that meet consumer needs 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 our core cookware lines have an average product development cycle of 50 days from concept to market, outpacing the industry average of 60 days, 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. Solid 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 contract manufacturers 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 contract manufacturers 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 48 self-operated online stores across 19 online marketplaces in 19 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 an average inventory turnover of approximately 20 to 40 days 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. For the three months ended March 31, 2024, our revenue amounted to RMB502.9 million, increasing by 72.3% from RMB291.8 million in the corresponding period in 2023. Additionally, our net profit grew by 58.4% to RMB88.5 million in the three months ended March 31, 2024, up from RMB55.9 million in the same period of 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,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions except for percentages)									
							(unaudited)			
Branded business	**283.3**	**41.9**	**530.7**	**69.1**	**1,379.9**	**87.2**	**246.5**	**84.5**	**450.0**	**89.5**
Mainland China	163.4	24.2	273.5	35.6	322.7	20.4	78.6	26.9	83.1	16.5
United States	46.6	6.9	122.2	15.9	740.1	46.8	100.3	34.4	269.8	53.6
Western Europe	5.8	0.9	14.9	1.9	96.8	6.1	13.9	4.8	34.1	6.8
Japan	6.0	0.9	35.2	4.6	82.8	5.2	22.1	7.6	28.5	5.7
Southeast Asia	47.0	7.0	47.8	6.2	76.5	4.8	18.1	6.2	15.4	3.1
Others	14.5	2.0	37.1	4.9	61.0	3.9	13.5	4.6	19.1	3.8
ODM business	**392.0**	**58.1**	**237.8**	**30.9**	**203.2**	**12.8**	**45.3**	**15.5**	**52.9**	**10.5**
Total	**675.3**	**100.0**	**768.5**	**100.0**	**1,583.1**	**100.0**	**291.8**	**100.0**	**502.9**	**100.0**

Note:

* For online retail, geographic markets are identified by the country or region of the platform where the sales took place.

COMPETITIVE STRENGTHS

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

Global brand with a notable presence in the kitchenware market

We are “CAROTE”, a global 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.

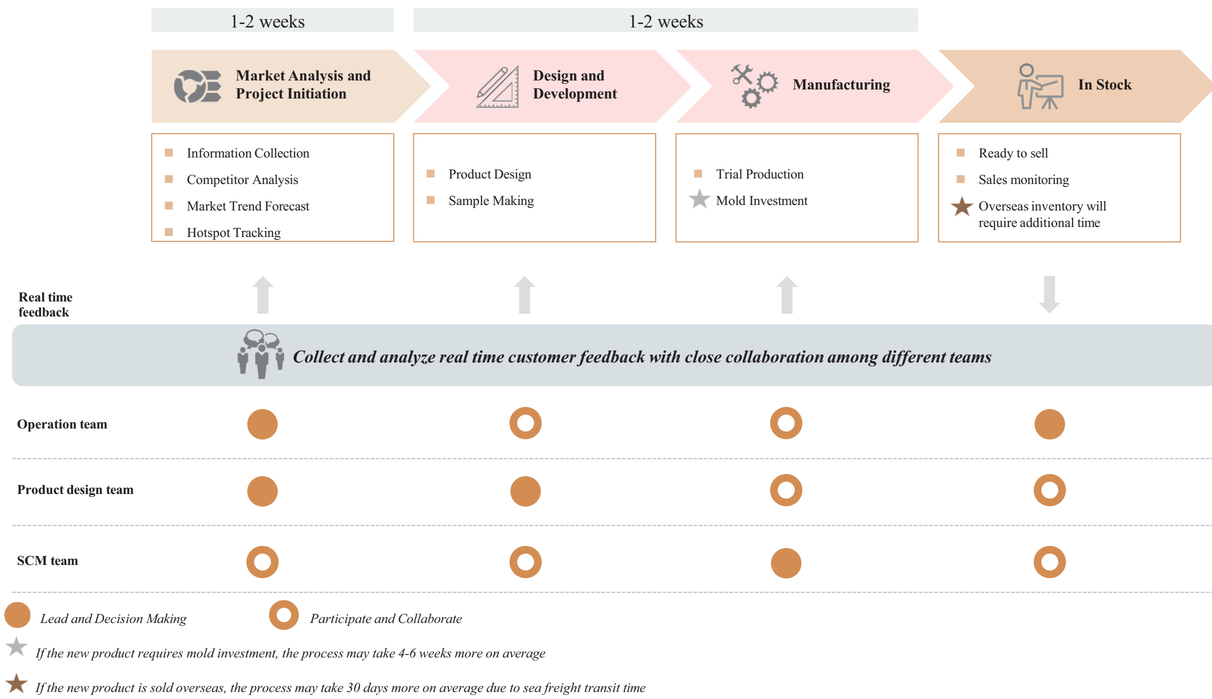
Building on a distinctive business model that combines our extensive industry expertise from years in the kitchenware sector with a dynamic online retail strategy designed for rapid global expansion, our brand have achieved a notable presence in the online cookware industry across key markets globally, ranking fourth in China, second in the United States, third in Western Europe, second in Southeast Asia, and third in Japan in terms of retail sales value in 2023, according to the CIC Report. Furthermore, our cookware products have achieved notable success across various sub-categories in both domestic and overseas markets. 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. For the three months ended March 31, 2024, our revenue amounted to RMB502.9 million, increasing by 72.3% from RMB291.8 million in the corresponding period in 2023. Additionally, our net profit grew by 58.4% to RMB88.5 million in the three months ended March 31, 2024, up from RMB55.9 million in the same period of 2023.

Product development capability in delivering products that meet consumer needs

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 the 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 core cookware lines have an average product development cycle of 50 days from concept to market, outpacing the industry average of 60 days, according to the CIC Report. This agility enables us to quickly respond to market shifts and establish a 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, 1,374, and 361 SKUs of new products, including six, seven, nine, and three collections of cookware, in 2021, 2022, 2023 and the three months ended March 31, 2024, 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 since 2021, according to the CIC Report. In addition, our detachable handle series, designed for easy maneuvering and one-hand detachability, significantly improves product usability and addresses consumer demands for easy storage innovatively. Initially launched in Japan, this series has since been introduced to various markets and has 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 48 self-operated online stores across 19 online marketplaces in 19 geographic markets as of the Latest Practicable Date. Moreover, our expansion efforts have enabled us to accumulate valuable know-how for managing e-commerce operations 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. For instance, in 2023, our in-house customer service team on Tmall engaged in over 15 million such customer interactions, which ranged from responding to inquiries and reviews to handling after-sales requests and addressing logistics-related complaints. This direct communication with customers helps us identify customer concerns regarding product parameters, designs, and functionality, providing us with deeper insights into their preferences.

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 development 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 quality products with advanced features while reducing overall operational costs through outsourcing production to qualified contract manufacturers.

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, remaining at 101.5% as of March 31, 2024. 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 and the three months ended March 31, 2024, the gross profit margin of our branded business amounted to 37.6%, 45.9%, 39.2%, and 45.1%, respectively.

We maintain mutually beneficial relationships with our contract manufacturers, 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 contract manufacturers, working closely with them to enhance their manufacturing precision 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 contract manufacturers 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 contract manufacturers 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 achieved notable reductions in defect rates and realized benefits in cost control. According to the CIC Report, as of the end of 2023, 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, for instance leveraging Amazon's "Fulfillment by Amazon (FBA)" service, 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 approximately 20 to 40 days for our branded business.

Experienced management team with global vision and dynamic 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 executive Director, 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 developed 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. Our product development and operation teams consist of young minds who are instrumental in driving our product development and strategy execution. Additionally, by adopting a flat management structure, we encourage open communication, promoting a positive work environment within our Group. We have also implemented a training program to encourage dedicated employees to advance into management roles in different work streams. As of the Latest Practicable Date, our employees' average age is approximately 32, while our management team brings an average of eight years of relevant industry experience. This combination of experienced leadership and fresh viewpoints positions us favorably to adapt to changes in our industry.

OUR STRATEGIES

We aim to further grow our business 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 ventures into new categories, adapting to the dynamic needs of global consumers. We aim 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, aiming 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 implement a category-based management approach by establishing dedicated supply chain management teams for each main category — cookware, kitchen utensils, drinkware, and others — to ensure focused attention on each. Additionally, we will increase our investments in product development, supported by dedicated teams of research and product development professionals with the necessary expertise. This will include R&D investments aimed at enhancing the practical features of our products, as well as ESG investments that support our efforts in materials innovations and improve the ESG performance of our products. See "Future Plans and Use of Proceeds" for details.

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. The operations of our branded business extend across 19 geographic markets worldwide as of the Latest Practicable Date, including China, the 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 and Southeast Asia, leveraging our established marketing positions. See "Future Plans and Use of Proceeds" for details. 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, Western Europe, 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 the management relating 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 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 goal 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 Use of Proceeds" 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, supported by a business model that emphasizes direct customer engagement through online sales channels. This strategic move quickly positioned us as a fast-growing brand for 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 contract manufacturers 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%. For the three months ended March 31, 2024, revenue from our branded business reached RMB450.0 million, representing an 82.6% increase from RMB246.5 million in the same period of 2023.

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

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions except for percentages)									
							(unaudited)			
Branded business	283.3	41.9	530.7	69.1	1,379.9	87.2	246.5	84.5	450.0	89.5
ODM business	392.0	58.1	237.8	30.9	203.2	12.8	45.3	15.5	52.9	10.5
Total	**675.3**	**100.0**	**768.5**	**100.0**	**1,583.1**	**100.0**	**291.8**	**100.0**	**502.9**	**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,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB million)	*(%)*	*(RMB million)*	*(%)*	*(RMB million)*	*(%)*	*(RMB million)*	*(%)*	*(RMB million)*	*(%)*
							(unaudited)			
Branded business	106.5	37.6	243.7	45.9	541.1	39.2	105.2	42.7	203.2	45.1
ODM business	20.0	5.1	31.6	13.3	24.0	11.8	5.5	12.0	6.2	11.8
Total / Overall	**126.5**	**18.7**	**275.3**	**35.8**	**565.1**	**35.7**	**110.7**	**37.9**	**209.4**	**41.6**

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, 2023 and the three months ended March 31, 2024, we launched 520, 1,305, 1,374, and 361 SKUs of our own-branded products, respectively. As of the Latest Practicable Date, our portfolio includes a diverse range of over 2,500 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 — Online Sales 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. 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 19 geographic markets globally as of the Latest Practicable Date. Revenue from markets outside of Mainland China increased substantially 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 markets outside of Mainland China 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,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions except for percentages)									
							(unaudited)			
Mainland China	163.4	57.7	273.5	51.5	322.7	23.4	78.6	31.9	83.1	18.5
United States	46.6	16.5	122.2	23.0	740.1	53.6	100.3	40.7	269.8	60.0
Western Europe	5.8	2.0	14.9	2.8	96.8	7.0	13.9	5.6	34.1	7.6
Japan	6.0	2.1	35.2	6.6	82.8	6.0	22.1	9.0	28.5	6.3
Southeast Asia	47.0	16.6	47.8	9.0	76.5	5.5	18.1	7.3	15.4	3.4
Others	14.5	5.1	37.1	7.1	61.0	4.5	13.5	5.5	19.1	4.2
Total	**283.3**	**100.0**	**530.7**	**100.0**	**1,379.9**	**100.0**	**246.5**	**100.0**	**450.0**	**100.0**

Note:

* For online retail, geographic markets are identified by the country or region of the platform where the sales took place.

ODM Business

Our ODM business focuses 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 most of our five largest ODM customers in each period of the Track Record Period spanning over six years.

Revenue from our five largest ODM customers in each period of the Track Record Period contributed over 90% of the total revenue from our ODM business in the respective periods. Specifically, in 2021, 2022, 2023 and the three months ended March 31, 2024, revenue from our five largest ODM customers was RMB374.1 million, RMB224.2 million, RMB186.5 million, and RMB49.7 million, respectively, representing 95.4%, 94.3%, 91.8%, and 94.0% of our total revenue from ODM business for the same periods. Furthermore, in 2021, 2022, 2023 and the three months ended March 31, 2024, revenue from our largest ODM customer amounted to RMB165.0 million, RMB106.8 million, RMB102.3 million, and RMB27.3 million, respectively, representing 42.1%, 44.9%, 50.4%, and 51.7% of the total revenue from our ODM business in the corresponding periods. 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. From essential pots and pans to well-designed 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, 2023 and the three months ended March 31, 2024, we launched 520, 1,305, 1,374, and 361 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 2,500 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,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions except for percentages)									
							(unaudited)			
Branded business										
Cookware	244.7	86.4	444.6	83.8	1,237.7	89.7	220.7	89.5	397.4	88.3
Kitchen utensils	30.6	10.8	64.9	12.2	90.4	6.6	20.6	8.4	38.1	8.5
Drinkware	0.5	0.2	12.5	2.4	47.4	3.4	5.1	2.1	12.1	2.7
Others(1)	7.5	2.6	8.7	1.6	4.4	0.3	0.1	—	2.4	0.5
Total	**283.3**	**100.0**	**530.7**	**100.0**	**1,379.9**	**100.0**	**246.5**	**100.0**	**450.0**	**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,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB million)	*(%)*	*(RMB million)*	*(%)*	*(RMB million)*	*(%)*	*(RMB million)*	*(%)*	*(RMB million)*	*(%)*
							(unaudited)			
Branded business										
Cookware.	92.8	37.9	203.3	45.7	481.0	38.9	93.0	42.1	178.7	45.0
Kitchen utensils . .	12.2	39.7	34.1	52.6	42.3	46.8	10.3	49.9	19.5	51.2
Drinkware	0.2	47.0	4.8	38.5	16.8	35.3	1.9	38.1	4.5	36.8
Others[(1)]	1.4	17.8	1.5	16.0	1.0	23.3	—	17.3	0.5	21.7

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 since 2021, 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, 2023 and the three months ended March 31, 2024, we launched 193, 172, 444, and 130 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

Year of Launch	Product Series		Product Features	Price Range*	Major Markets
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
July 2021	Ice Cream		• Merging classic design of Essential Woody series with innovative updates • Refined aesthetics of light-colored non-stick cookware • Exceptional 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

Year of Launch	Product Series	Product Features	Price Range*	Major Markets
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, 2023 and the three months ended March 31, 2024, we launched 275, 801, 529, and 161 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, 342, and 68 SKUs of drinkware launched in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. As of the Latest Practicable Date, our portfolio includes 23 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, RMB35.9 million, and RMB9.7 million in 2021, 2022 and 2023 and the three months ended March 31, 2024, 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 United States, Europe, and Southeast Asia markets, we took 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-frying 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 contract manufacturers 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 proceed 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 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 product listing and other 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 allows us to tailor our purchases to immediate needs, effectively reducing our inventory-related risk.

We do not enter into any master agreement or long-term contract with contract manufacturers as we can flexibly tap into the local manufacturing capabilities in Zhejiang Yongkang, where our operation is based. As confirmed by CIC, this region is one of the world's largest production hubs for aluminum cookware and hosts a concentrated industry chain of aluminum cookware, providing us with the flexibility to choose from a multitude of contract manufacturers. We consider various factors, such as quality, delivery time, and cost, in selecting contract manufacturers and we allocate orders flexibly to meet the specific needs of individual orders. For our key product series, we typically engage in long-term cooperation with two to three contract manufacturers while also enjoying the flexibility to choose alternative supplies as needed to ensure continuous supply and maintain quality.

During the Track Record Period and up to the Latest Practicable Date, there were no material breaches of agreement by our contract manufacturers.

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 and up to the Latest Practicable Date, 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 one-off purchase agreement with our contract manufacturers, which contains the following major terms:

- *Product specifications:* Our purchase agreements with contract manufacturers outline detailed specifications such as product weight, quantity, unit price, base design, handle design, and packaging methods.

- *Materials requirement:* Our purchase agreements with contract manufacturers 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 purchase agreements with contract manufacturers 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 purchase agreements with contract manufacturers 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.

- *Renewal and Termination:* Our purchase agreements with contract manufacturers do not include any renewal or termination clauses.

- *Warranty:* For non-cookware products, our contract manufacturers typically offer a 12-month warranty from the date of our acceptance. This warranty covers quality issues and obligates the contract manufacturer to undertake repairs, returns, or replacements as needed. For cookware products, our purchase agreements with contract manufacturers do not include a provision that specifies the scope and duration of warranty from the contract manufacturers. Instead, the agreement provides that if the quality does not meet requirements due to reasons such as the quality of the materials, coating performance, or exterior stains on the products, the contract manufacturers will be responsible for the liabilities. According to CIC, this practice is in line with the industry norm.

We did not encounter any material product defects caused by our contract manufacturers during the Track Record Period. Quality issues that arose during the production phase, such as spraying problems and stains, were usually detected through quality inspections before our acceptance, and in such cases, we required the contract manufacturers to fix these issues before acceptance. On rare occasions, we experienced quality issues that were not easily detectable at the time of inspection and acceptance, such as blistering of the coating after use. When customers identified such issues and returned the products, we assessed whether these were indeed due to quality faults. If confirmed as quality issues, the products were returned to the contract manufacturers for rework (i.e., to be repaired or corrected), and they bore the associated costs. During the Track Record Period, quality issues that were not easily detectable at the time of inspection and acceptance, such as blistering of the coating after use, occurred rarely and we were able to resolve them with our contract manufacturers through negotiations.

Our Group has not been subject to any material liabilities during the Track Record Period, nor is it subject to any pending material liabilities, due to issues attributable to the fault of our contract manufacturers.

Production Management

During part of the Track Record Period, specifically up to February 2022, we primarily relied on third-party contract manufacturers for our production, with the our remaining production needs met by our in-house production facilities located in Yongkang, China. These facilities, equipped with a variety of machinery and both production and assembly lines, were primarily used for producing our cookware. The actual monthly production capacity of these facilities reached up to 320,000 units of cookware. In 2021 and 2022 (up to February), the utilization rates of our production facilities were 92.4% and 84.7%, respectively.

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. As part of this strategy, we divested our production equipment to one of our suppliers, an independent third party, in February 2022.

Outsourcing Arrangement

Under this outsourcing model, our contract manufacturers produce products for us primarily on an OEM basis. All our cookware products are manufactured through these OEM services. To a lesser extent, our contract manufacturers also produce a small selection of kitchen utensils and drinkware on an ODM basis. Except for cookware coatings, they directly source all other raw materials needed for production without the need for our prior approval. 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 standards before they are made available to our customers. See "— Quality Management".

We directly source our cookware coatings from manufacturers in the PRC to leverage the scale advantage in procurement volume when negotiating prices. These manufacturers dispatch the coatings to our contract manufacturers according to our instructions. To the best knowledge of our Group after due inquiry, during the Track Record Period, the raw materials sourced by our major contract manufacturers for producing our products were from the PRC.

Business Rationale

Our transition to a fully outsourcing business model is strategically designed to focus on the development of our branded business and establish ourselves as a versatile provider of branded kitchenware products capable of rapid product iteration. Towards this objective, this model enhances our operating efficiency by freeing up resources that would otherwise be allocated to in-house production. Consequently, our management and supply chain teams are able to concentrate more on managing and improving our supply chain operations, including refining our procurement practice, enhancing quality control, and ensuring comprehensive oversight over the production process of contract manufacturers, to support our product launches and updates. In addition, this model enables us to scale our operations flexibly in response to market demands and rapidly adapt to new product trends. Furthermore, we began working with outsourced contract manufacturers for our ODM business in 2016. This prior experience allows us to build on existing relationships and leverage our expertise in supply chain management, positioning us favourably for a transition to a fully outsourced manufacturing operation that meets the evolving needs of our branded business.

Relationships with Contract Manufacturers

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 contract manufacturers who meet our standards. Our in-depth understanding of Yongkang's manufacturing capabilities is also crucial for building strong mutual relationships with our contract manufacturers. 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.

To ensure our contract manufacturers comply with relevant laws and regulations, we have implemented a supplier admission process for our major suppliers. This process involves verifying the supplier's business registration information for any illegal activities before granting them access to our supply chain. Furthermore, after admitting a supplier, we conduct annual assessments for those with an annual purchase amount exceeding RMB5.0 million. These assessments are designed to ensure ongoing compliance with our standards and laws. Additionally, our purchase agreements with contract manufacturers include a confidentiality clause. This clause obligates the contract manufacturer not to use our trademark, product designs, or product molds shared with them for any purposes other than production for us, without our prior approval. We have also entered into tripartite agreements with suppliers of our molds and contract manufacturers. Under these agreements, both the supplier and the contract manufacturer with whom we share our molds is obligated to protect our proprietary know-how and intellectual property rights.

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 each product 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 to mitigate the risks of any material adverse changes in our relationships with our contract manufacturers. For example, for each series of cookware products, we typically engage four to five alternative contract manufacturers on a smaller scale, all of whom we have previously worked with. Additionally, we can engage contract manufacturers who are already producing other series of our cookware products in the event of potential disruptions in our relationships with existing contract manufacturers, or if there are performance issues related to a specific series of cookware with any contract manufacturer. This adaptability is crucial for us to respond effectively to market changes and ensure a reliable supply of our products.

The following table sets forth the movement in the number of contract manufacturers by product category during each year of the Track Record Period and up to the Latest Practicable Date:

	Year ended December 31,									For the period from January 1, 2024 to the Latest Practicable Date		
	2021			2022			2023					
	New CM transacted with compared to 2020	CM stopped transacting with compared to 2020	Total number of CM transacted with	New CM transacted with compared to 2021	CM stopped transacting with compared to 2021	Total number of CM transacted with	New CM transacted with compared to 2022	CM stopped transacting with compared to 2022	Total number of CM transacted with	New CM transacted with compared to 2023	CM stopped transacting with compared to 2023	Total number of CM transacted with
Cookware	10	2	19	19	8	30	23	11	42	14	8	48
Kitchen utensils	99	15	101	121	53	169	88	93	164	50	58	156
Drinkware	6	0	7	40	3	44	38	33	49	10	25	34
Others	10	0	11	10	5	16	10	9	17	4	6	15
Total	125	17	138	190	69	259	159	146	272	78	97	253

Note:

(1) "CM" means contract manufacturers.

During the Track Record Period and up to the Latest Practicable Date, the number of contract manufacturers for kitchen utensils that we have sourced from accounted for a majority of all contract manufacturers we worked with in each year or period, as our kitchen utensils have the widest range of SKUs, including various small kitchen items. The number of contract manufacturers in this category has seen a general upward trend, primarily because we have continued to launch new kitchen utensil products.

The number of contract manufacturers for cookware that we have sourced from increased in 2022 compared to 2021, primarily because we launched new series of stainless and iron cast cookware in 2023, and further increased in 2023, primarily due to a rising demand for production capacity resulting from our increased sales.

The number of contract manufacturers for drinkware that we have sourced from increased substantially in 2022 compared to 2021, as we have continued to introduce new products since launching this product line in September 2021.

We consider both the addition of new contract manufacturers and the discontinuation of relationships with some contract manufacturers we previously sourced from during the Track Record Period and up to the Latest Practicable Date to be integral to our outsourced business model, particularly in light of our rapid product iteration and the launch of new product series and categories during this period. In all cases, since we do not have fixed-term contracts with any contract manufacturers, our decisions to allocate purchase orders to any individual contract manufacturers are solely based on our needs. These decisions take into account various factors, such as past cooperation, including whether a contract manufacturer met our expectations for delivery time and quality, the current production capacity of potential contract manufacturers, and the availability of alternative sources that may offer more competitive prices than contract manufacturers we previously sourced from. For instance, we might choose to engage additional contract manufacturers to increase production capacity and meet rising demand for our products. Alternatively, we could decide not to continue procurement from previous contract manufacturers if we identify alternative suppliers who offer more competitive prices, assuming all other factors are equal, particularly for our non-cookware series.

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. Our average inventory turnover days were 17.5 days, 26.9 days, 27.0 days, and 40.1 days in 2021, 2022, 2023 and the three months ended March 31, 2024, 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 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. Key checks include examining the packaging details such as label information and measurements, assessing the thickness of coatings and the consistency of color with samples, and inspecting for any defects. Performance testing includes a cross-cut test to assess coating adhesion, tests for the non-stick quality of the coatings, and drop tests. By conducting these post-production inspections, we ensure that only products meeting our requirements for product quality and safety are accepted into our inventory.

Furthermore, we require our coating suppliers to provide quality testing reports upon request. We also actively monitor the regulatory requirements for product quality and safety in each country and region where our products are sold, requiring designated department to regularly update this information to ensure our products comply with quality and safety standards before distribution. If a country mandates specific quality and safety standards for products sold within its market, we secure third-party testing reports to meet these requirements. Additionally, as part of our ongoing quality assurance efforts, we randomly select products from our inventory each quarter and send them for testing at accredited local institutions. We also conduct random quality tests on new product lines.

During the Track Record Period and up to the Latest Practicable Date, there were no material quality issues in relation to our products.

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 Transactions" for details. For orders placed with us by end customers through online marketplaces in China, we work with third-party logistics service providers to ship products directly to these customers, except that, for certain orders via JD.com during the Track Record Period, the products were shipped to its warehouses, from where JD.com handled the subsequent delivery to the end customers, allowing us to capitalize on its highly efficient delivery service. The delivery fees payable to JD.com are calculated based on the weight, size, and distance of each delivery, according to its own fee schedule. These fees are assessed irrespective of the order's value or the value of the goods being delivered. 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 for orders placed by end customer via these marketplaces, which then handle the last-mile delivery to the customers. 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, 2023 and the three months ended March 31, 2024, our freight and storage expenses amounted to RMB68.7 million, RMB93.7 million, RMB268.5 million, and RMB90.3 million, respectively.

Our Five Largest Suppliers

In 2021, 2022, 2023 and the three months ended March 31, 2024, purchases from our five largest suppliers accounted for 39.8%, 50.3%, 45.1%, and 37.4% of our total purchase, respectively, with purchases from our largest supplier comprising 18.0%, 16.9%, 18.0%, and 17.4% of our total purchase during the same periods. Our five largest suppliers in each period of the Track Record Period were Independent Third Parties.

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

For the three months ended March 31, 2024

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	86,762	17.4	N/A**	2017
2.	Supplier B(2)	Manufacturing	Cookware through OEM service	41,280	8.3	60 days, TT	2022
3.	Supplier D(4)	Manufacturing	Cookware through OEM service	20,863	4.2	60 days, TT	2022
4.	Supplier K(11)	Manufacturing	Cookware through OEM service	20,502	4.1	60 days, TT	2022
5.	Supplier G*(7)	Online marketplace operator	Platform and operational services	17,076	3.4	N/A**	2016

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 through OEM service	131,861	9.4	60 days, telegraphic transfer (TT)	2022
3.	Supplier C(3)	Manufacturing	Cookware through OEM service	99,253	7.1	60 days, TT	2021
4.	Supplier D(4)	Manufacturing	Cookware through OEM service	76,128	5.4	60 days, TT	2022
5.	Supplier E(5)	Manufacturing	Cookware through OEM service	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 through OEM service	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 through OEM service	50,103	7.6	60 days, TT	2021
5.	Supplier D(4)	Manufacturing	Cookware through OEM service	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 through OEM service	116,800	18.0	60 days, TT	2016
2.	Supplier H[(8)]	Manufacturing	Cookware through OEM service	44,089	6.8	60 days, TT	2019
3.	Supplier I[(9)].	Manufacturing	Cookware through OEM service	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**	2017
5.	Supplier J[(10)]	Manufacturing	Cookware through OEM service	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 for the European market under the B2B sales model. 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 headquartered in Washington, with stocks listed on Nasdaq.

(2) Supplier B is a private company in the Yongkang, PRC, primarily engaged in the manufacturing of kitchenware.

(3) Supplier C is a private company in the Yongkang, PRC, primarily engaged in the manufacturing of kitchenware.

(4) Supplier D is a group of two private companies in the Yongkang, PRC, primarily engaged in the manufacturing of kitchenware.

(5) Supplier E is a private company in the Yongkang, PRC, primarily engaged in the manufacturing of kitchenware.

(6) Supplier F is a private company in the Wuyi, PRC, primarily engaged in the manufacturing of kitchenware.

(7) Supplier G is a PRC-based corporate group headquartered in Hangzhou, primarily engaged in online marketplace operations and third-party payment and cloud computing services, with shares listed in the Stock Exchange and New York Stock Exchange.

(8) Supplier H is a private company in the Ningbo, PRC, primarily engaged in the manufacturing of kitchenware.

(9) Supplier I is a private company in the Wuyi, PRC, primarily engaged in the manufacturing of kitchenware.

(10) Supplier J is a private company in the Wuyi, PRC, primarily engaged in the manufacturing of kitchenware.

(11) Supplier K is a private company in Changshan County, Zhejiang, PRC, primarily engaged in the manufacturing and sale of kitchenware and baking tools.

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 most of our five largest ODM customers in each period of the Track Record Period for over six years.

As of the Latest Practicable Date, we have supplied products to 53 ODM customers across 28 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, 2023 and the three months ended March 31, 2024, revenue from our five largest customers accounted for 55.4%, 29.2%, 11.8%, and 11.0% of our total revenue, respectively, with our largest customer contributing 24.4%, 13.9%, 6.5%, and 5.4% of our total revenue during the same periods. Our five largest customers in each period of the Track Record Period were Independent Third Parties.

The following table sets out certain details of our five largest customers in each period of the Track Record Period. These customers are predominantly our ODM customers. We established initial cooperation with these ODM customers primarily through products and trade exhibitions.

For the three months ended March 31, 2024

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	27,340	5.4	45 days, TT	2016
2.	Customer B*[(2)] . . .	Home and living brand and retailer	ODM business	cookware	11,744	2.3	30 days, LC or TT	2013
3.	Customer G[(7)]	Retail business	Branded business	cookware	7,662	1.5	50 or 90 days, TT	2023
4.	Customer H[(8)]	Import and export of goods and technology	ODM business	cookware	5,256	1.0	35 days, TT	2022
5.	Customer C[(3)]	Retailer and distributor of household items	ODM business	cookware	4,139	0.8	30 days, LC or TT	2016

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 D(4)	Retail business	ODM business	Cookware	9,696	0.6	30 days, LC or TT	2015
4.	Customer C(3)	Retailer and distributor of household items	ODM business	Cookware	8,291	0.5	30 days, LC or TT	2016
5.	Customer E(5)	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)	Retailer and distributor of household items	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)	Retailer and distributor of household items	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:

* To the best of our knowledge, none of the customers listed above have any past or present relationship (business, employment, financing, family, trust or otherwise) with the Company or its subsidiaries, their directors, shareholders or senior management, or any of their respective associates, other than those arising from the ordinary course of business, and save for Customer B as disclosed herein. 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. During the Track Record Period, Foshan Kemo acted as our procurement agent for the sourcing of non-cookware products. We began to work with Foshan Kemo in 2021 as we started to expand our product range to include items such as spatulas and other kitchen tools. These items were considered non-core products at that time, with relatively small purchase amounts. As the relevant suppliers are located far from our main supply chain base in Yongkang, working with Foshan Kemo allowed us to source appropriate suppliers more efficiently. Under this arrangement, Foshan Kemo sourced suppliers for us and assisted with quality control and delivery schedules, and received a service fee from us. For the three years ended December 31, 2023, service fees paid to Foshan Kemo were RMB300,000, nil and approximately RMB579,000, respectively, where the amount paid in 2023 represented the aggregate amount of service fees due and payable to Foshan Kemo for 2022 and 2023, in accordance with the contract provision that requires biannual payment of service fees.

During the period from March 2020 to October 2023, Foshan Kemo was held as to 100% by a Hong Kong incorporated intermediary company, COMOK LIMITED, 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 of his interest in COMOK LIMITED to an independent third party in October 2023. Since October 2023, Foshan Kemo has ceased to be a supplier to our Group.

By October 2023, we had established our own in-house supply chain sourcing team for products previously sourced through Foshan Kemo, in response to the substantial growth in sales volume of these products. With this in-house supply chain sourcing team, sourcing directly from the suppliers instead of through Foshan Kemo allowed us to reduce costs and enhance operating efficiency. Consequently, Mr. Zhang disposed of his interest in COMOK LIMITED in October 2023, following which Foshan Kemo ceased to be a supplier to us.

Mr. Zhang was a director of COMOK LIMITED from May 2018 to October 2023, and a director of Foshan Kemo from March 2020 to March 2024. Mr. Zhang had not participated in the management of the business of Foshan Kemo during the period from October 2023, when he disposed of his interest in COMOK LIMITED, to March 2024, when he resigned as a director of Foshan Kemo. Neither COMOK LIMITED nor Foshan Kemo was subject to any legal proceedings, disputes or other contingent liabilities before Mr. Zhang's disposal of his interest therein in October 2023.

(1) Customer A is a Taiwanese company that engages in trading business. To the best of our knowledge, Customer A is a procurement agent for a popular discount department store chain in the United States.

(2) Customer B is an Italy-based retailer of home and living products. Revenue from Customer B, one of our major ODM customers, decreased from RMB 165.0 million in 2021 to RMB 48.9 million in 2022. To the best of our knowledge, this decline was primarily because Customer B needed to sell off its existing stock amid the impact of COVID-19 on the general economy and consumer activities in Europe. Particularly, it had substantially increased its purchases from us in 2021 in anticipation of further disruptions to the global supply chain amid the COVID-19 pandemic. Revenue from Customer B recovered to RMB 58.8 million in 2023, approaching its usual levels.

Customer B was our largest ODM customer in 2021, and the second largest in both 2022 and 2023, in terms of revenue contribution. As with our dealings with other major ODM customers, we provided Customer B with customized cookware products on an ODM basis, where the pricing reflected our cost plus a reasonable margin. The supply price for each order is subject to negotiation with the relevant ODM customer and varies by customers. During the Track Record Period, gross profit margins from sales to Customer B were consistent with such arm's length dealings and fell within the range of gross profit margins from sales to other major ODM customers.

We generally offer a credit of 30 to 60 days to our ODM customer, depending on negotiations between the parties. For Customer B, we extended a credit term of 30 days, which is at the lower end of this range, due to our long-standing relationship with it since 2013.

(3) Customer C is an Italian company that engages in the retail and distribution of household items.

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

(5) Customer E is a Taiwanese company that engages in retail business. Customer E is our distributor in Taiwan and sells our products through online marketplaces in the Taiwanese market.

(6) Customer F is a PRC-based online marketplace operator headquartered in Beijing, with its parent company' share listed on the Stock Exchange and on Nasdaq, and reporting total net revenues of RMB1,084,662 million and net income of RMB23,257 million in 2023, according to its 2023 annual report published on the website of the Stock Exchange.

(7) Customer G is an American multinational corporation that operates one of the largest retail chains in the United States, with an extensive network of physical stores nationwide and a significant online presence.

(8) Customer H is a private company in Yongkang, PRC, primarily engaged in the import and export of goods and is a subsidiary of a local state-owned group.

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 48 self-operated online stores across 19 online marketplaces in 19 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,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions except for percentages)									
							(unaudited)			
Amazon	63.7	22.5	162.2	30.6	673.2	48.8	108.8	44.1	235.0	52.2
Tmall.	121.4	42.9	207.2	39.1	285.4	20.7	63.9	25.9	76.4	17.0
Walmart	—	—	9.6	1.8	245.1	17.8	25.7	10.4	77.2	17.2
Shopee	9.3	3.3	18.7	3.5	41.6	3.0	8.4	3.4	10.1	2.2
Lazada	34.5	12.2	27.2	5.1	33.2	2.4	9.2	3.7	4.0	0.9
Douyin	2.0	0.7	15.9	3.0	18.8	1.4	5.7	2.3	4.9	1.1
JD.com	29.1	10.3	37.8	7.1	18.4	1.3	9.0	3.6	1.7	0.4
Others[1]	23.3	8.1	52.1	9.8	64.2	4.6	15.8	6.6	40.7	9.0
Total	**283.3**	**100.0**	**530.7**	**100.0**	**1,379.9**	**100.0**	**246.5**	**100.0**	**450.0**	**100.0**

Note:

(1) Primarily revenue from sales through Shopify in 2021, Rakuten and Shopify in 2022, Rakuten in 2023, Rakuten and TikTok for three months ended March 31, 2024.

Sales Arrangements with Online Marketplaces

Our sales operations on online marketplaces are conducted primarily through a direct-to-consumer sales model (the "**DTC sales model**") and, to a much lesser extent, a business-to-business sales model (the "**B2B sales model**").

DTC sales model

During the Track Record Period, the vast majority of our online sales were through the DTC model, accounting for 91.5%, 97.1%, and 99.3% of our total online sales revenue in respective years. Under this model, we sell directly to retail customers who place order with us through our self-operated stores on the marketplaces, and these individuals are recognized as our customers. The marketplaces provide product listings and other support services essential for the operation of online stores. In return, we are typically required to pay a commission or similar fees, at a rate which is usually calculated as a certain percentage of our sales revenue generated through our online stores on these platforms. During the Track Record Period, the commission rates by our major online marketplaces* ranged from 5% to 15.3%, depending on the marketplaces and regions where we operate. For certain marketplaces, like Amazon, we also incurred expenses for fulfillment services, including storage, delivery, and customer services. These marketplaces may offer additional value-added services, such as promotional services at our option. During the Track Record Period, the fees we paid to the marketplaces included commissions or fees of a similar nature, order fulfilment, and other operational support services.

B2B sales model

In contrast, under the B2B sales model, we supply products to online marketplaces at negotiated prices, shipping directly to their warehouses. These marketplaces then resell the products to end-customers through their own online stores or channels. Under this model, the purchasing marketplaces are recognized as our customers, and we do not need to pay any commissions or similar fees to the marketplaces.

During the Track Record Period, in addition to direct sales to retail customers under the DTC model, we supplied products under the B2B sales model to Tmall Supermarket, JD.com, and Amazon (through its Vendor Central program). As of the Latest Practicable Date, our B2B sales are conducted with Amazon via the Vendor Central program.

* Amazon, Tmall, Walmart.com, Shopee, Lazada, Douyin, and JD.com

The following table sets forth a breakdown of revenue from our online sales by sales model for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions except for percentages)									
							(unaudited)			
Online sales										
DTC sales model	251.4	91.5	503.2	97.1	1,362.5	99.3	240.3	98.1	435.7	99.7
B2B sales model	23.3	8.5	14.9	2.9	10.0	0.7	4.7	1.9	1.1	0.3
Total	**274.7**	**100.0**	**518.1**	**100.0**	**1,372.5**	**100.0**	**245.0**	**100.0**	**436.8**	**100.0**

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, Netherlands, Saudi Arabia, and the United Arab Emirates (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 the 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, 2023 and the three months ended March 31, 2024, our revenue generated through Amazon's Seller Central program amounted to approximately RMB63.7 million, RMB159.8 million, RMB666.3 million, and RMB234.5 million, respectively, representing approximately 22.5%, 30.1%, 48.3%, and 52.1% 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 the 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, RMB6.9 million, and RMB0.5 million in 2022, 2023 and the three months ended March 31, 2024, respectively, representing approximately 0.5%, 0.5%, and 0.1% of our total branded business revenue for the respective periods.

The following table sets forth a breakdown of our revenue from sales through Amazon by geographical location for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions except for percentages)									
							(unaudited)			
Amazon US	40.9	64.2	99.0	61.0	483.6	71.8	73.7	67.7	171.1	72.8
Amazon Japan	6.0	9.4	16.4	10.1	43.8	6.5	9.5	8.7	14.3	6.1
Amazon India	6.5	10.2	20.4	12.6	30.3	4.5	6.9	6.3	8.8	3.7
Amazon Germany	1.7	2.7	1.0	0.6	19.5	2.9	1.7	1.5	6.8	2.9
Amazon Spain(1)	—	—	—	—	10.8	1.6	0.7	0.6	4.4	1.9
Amazon Others(2)	8.6	13.5	25.4	15.7	85.2	12.7	16.3	15.2	29.6	12.6
Total	**63.7**	**100.0**	**162.2**	**100.0**	**673.2**	**100.0**	**108.8**	**100.0**	**235.0**	**100.0**

Notes:

(1) Sales through Amazon Spain commenced in 2022.

(2) Represents sales through Amazon's online marketplaces in the UK, Italy (since 2022), France (since 2022), Canada, the UAE (since 2022), Netherlands (since 2022), Australia (2021, 2022 and 2023 only), Belgium (since 2023), Sweden (since 2022), Saudia Arabia (2022 and 2023 only), Poland (since 2022), and Turkey (2023 only).

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 the DTC sales model. We have experienced consistent revenue growth from Tmall during the Track Record Period. In 2021, 2022, 2023 and the three months ended March 31, 2024, sales on Tmall contributed to a total revenue of RMB121.4 million, RMB207.2 million, RMB285.4 million, and RMB76.4 million, respectively, accounting for approximately 42.9%, 39.1%, 20.7%, and 17.0% 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 end consumers make purchase on Tmall Supermarket and confirm receipt of the goods, Tmall Supermarket completes the transaction by paying us, after deducting certain expenses and charges for optional services such as promotional services, if applicable. In 2021 and 2022, revenue from our sales through Tmall Supermarket was RMB6.0 million and 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 Walmart.com

We sell our branded products through Walmart's online marketplace, Walmart.com, under the DTC model, to customers in the US market. We commenced our sales on Walmart.com in March 2022. In 2022, 2023 and the three months ended March 31, 2024, sales through Walmart.com contributed to a total revenue of RMB9.6 million, RMB245.1 million, and RMB69.6 million, respectively, accounting for approximately 1.8%, 17.8%, and 15.5% of our total revenue from branded business in the respective years.

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) the DTC sales model via our self-operated store on the platform and (ii) the B2B sales model whereby we supply products to JD.com for resale to the end-user consumers. In 2021, 2022, 2023 and the three months ended March 31, 2024, sales through JD.com contributed to a total revenue of RMB29.1 million, RMB37.8 million, RMB18.4 million, and RMB1.7 million, respectively, accounting for approximately 10.3%, 7.1%, 1.3%, and 0.4% 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 the DTC sales model.

During the Track Record Period and up to the Latest Practicable Date, we maintained stable business relationships with the major online marketplaces on which we operate, and we do not anticipate any material adverse development in our relationships with these marketplaces.

The following table sets forth a summary of the sales arrangements with major online marketplaces during the Track Record Period:

	Market covered	Duration of business relationship	Salient terms of sales arrangement: DTC sales model	Salient terms of sales arrangement: B2B sales model
Marketplace A[(1)] . . .	United States, Europe, Japan	Since 2017	• *Logistics/fulfilment*: We use the marketplace's fulfilment services, which include handling the storage, packaging, and shipping of products to customers. We are responsible for shipping products to fulfilment centers. • *Payment:* The marketplace handles all customer payments through its platform, managing refunds and adjustments. We are responsible for any applicable taxes and fees on transactions. Under the standard service agreement, for each remittance from the marketplace, our available balance is calculated as follows: it equals the sales proceeds not previously remitted to us as of the applicable remittance calculation date, less referral fees, applicable variable closing fee (a per-item charge for specified types of products sold by sellers who do not pay a monthly subscription fee), any subscription fees (a fixed monthly fee for selling on the marketplace), other applicable fees, any reserves required by the marketplace, and any taxes that the marketplace automatically calculates, collects, and remits according to applicable law. • *Tax matters:* (i) Sales tax payable by the customers is included in their payments and withheld by the marketplace. (ii) The marketplace does not withhold taxes payable by us. We are responsible for tax reporting to the competent authority regarding transactions on the marketplace. • *Product return:* The marketplace's refund policies apply to products sold and fulfilled through it. We are required to process returns and refunds in accordance with these policies. • *Termination:* Sales under this model commenced in June 2017. The relevant agreement has no fixed term and remains effective until terminated by either the marketplace or us. We can terminate our account at any time through the marketplace's user portal or through other specified means, while the marketplace can terminate the account with advance notice or immediately under certain conditions such as breach of terms or illegal activities. • *Commission/fees and charges:* We pay various fees to the marketplace, including referral fees, a fixed monthly subscription fee for selling on the marketplace, fees for order fulfillment services, and other applicable charges such as fees for value-added services like advertising. Referral fees, which are commission in nature and regarded as such by us, are calculated based on the sales proceeds from our transactions through the marketplace, specified on the fee schedule at the time of the transaction. The fees for order fulfillment services primarily consist of (i) fees for storing our inventory, whose calculations take into account the size and amount of the goods and the timing — whether during peak or non-peak shopping seasons — when we send inventory to the marketplace; (ii) fees for delivering goods to the customer on our behalf, calculated based on the type of goods, with different rates applying to different categories, their measurements, and weight/volumetric weight. These fees are determined by the standard fee schedules of the marketplace, which do not depend on the value of the order or the goods being stored or delivered.	• *Logistics/fulfilment:* For subsequent resales of products procured from us, order fulfilment is handled by marketplace itself. • *Product return:* The marketplace can return products for a full refund at our expense if they are damaged, defective, do not meet specifications, are recalled, or were not ordered. We must inspect returned products and report any issues to the marketplace promptly. We have six months from the return dispatch date to contest the returns. Ownership of returned products transfers to us upon carrier delivery. • *Shipping:* The parties will agree which party is responsible for transporting products to the marketplace. Ownership transfers from us to the marketplace upon the marketplace's receipt of the products. For returns, ownership transfers back to us upon carrier delivery. • *Tax matters:* We are responsible for tax reporting to the competent authority regarding sales to the marketplace. • *Duration/renewal:* The relevant agreement lasts for the calendar year in which it is signed and will automatically renew each year under the same terms, unless a new agreement is made or either party terminates it by providing 60 days' written notice at any time. Since sales under this model commenced in July 2022, we have been able to renew the agreement upon expiry without interruption.

<table>
<tr><th></th><th>Market covered</th><th>Duration of business relationship</th><th colspan="2">Salient terms of sales arrangement</th></tr>
<tr><th></th><th></th><th></th><th>DTC sales model</th><th>B2B sales model</th></tr>
<tr><td>Marketplace T[(2)] . . .</td><td>China</td><td>Since 2016</td><td>• Payment: Net sales proceeds are paid to us after the marketplace deducts the real-time debit fee from customer payments.

• Logistics/fulfilment: We handle the delivery of products to customers directly and bear all associated costs.

• Product Returns: Returns and refunds are managed in accordance with the marketplace's policies, which include a 15-day "no reason" return period.

• Credit Control: We have made a deposit to the marketplace. If we violate any laws, regulations or the agreement, causing damage to the marketplace or if we owe any overdue payments, liquidated damages, or compensation, we agree that the marketplace can deduct the necessary amounts from our deposit.

• Tax matters: VAT payable by the customers is included in their payments processed by the marketplace and remitted to us, and we are responsible for reporting VAT to the competent authority at regular intervals.

• Duration/renewal: The term of the agreement expires on December 31, 2024. It will be automatically renewed until December 31 of the subsequent year upon expiration, provided that no separate agreement is required by the marketplace and the conditions for service activation announced by the marketplace for the following year are met. Since sales under this model commenced in November 2016, we have been able to renew the agreement upon expiry without interruption.

• Termination: Either party may terminate with a 30 days' prior written notice.

• Commission/fees and charges: We are charged software service fees for services provided by the marketplace, such as searching, creating orders, managing transactions, completing payments, and other services. These fees consist of two parts: an annual fee and a real-time debit fee. The annual fee is paid in advance as a lump sum. The real-time debit fee is calculated as a percentage of the transaction value of each order on the marketplace.</td><td>• Transfer of title and risk: after the consumer has successfully paid for and confirmed receipt of the products title to the products transfers from us to the marketplace, and then immediately transfers from the marketplace to the consumer. We bear the legal risks such as damage or loss until the consumer confirms receipt of the order.

• Product return: The marketplace processes returns and refunds in accordance with applicable laws and its own rules. Returned products that meet restocking standards are re-listed, while those that do not meet these standards are returned to us.

• Pricing: The selling price to consumers is independently determined by the marketplace. If the supply price of a product decreases after the marketplace has purchased it, we must compensate the marketplace for the price difference, based on the quantity of stock not yet sold. The marketplace has the right to deduct these amounts from payments owed to us.

• Payment: Payment settlements are based on the actual number of products sold to consumers (net of returns) and the agreed supply prices. The marketplace is entitled to deduct any applicable charges, penalties, debts, refunds, and losses incurred from the settlements.

• Tax matters: We are responsible for tax reporting to the competent authority regarding sales to the marketplace.

• Duration: The relevant agreement has a term of one year. Sales under this model commenced in November 2018 and continued until 2022, ceasing upon the expiry of the last renewed agreement.

• Termination: The marketplace may terminate the agreement with 30 days' prior written notice.</td></tr>
</table>

	Market covered	Duration of business relationship	Salient terms of sales arrangement
			DTC sales model
Marketplace W[3] . . .	United States	Since 2022	• *Payment:* The marketplace collects payments from customers on our behalf and remits net proceeds from the sales of our products to us after deducting fees and charges payable to the marketplace. • *Logistics/fulfilment:* We use the fulfilment services provided by the marketplace. We supply inventory for storage and processing and the marketplace manages all logistics, including receiving, storing, and processing our inventory. In return, we are charged fees for such fulfilment services. • *Product return:* We are responsible for customer cancellations, returns, and refunds, unless otherwise agreed with the marketplace. The marketplace evaluates the condition of returned items at its facility, re-stocking sellable items and applying fees for unsellable ones based on the return reason. • *Tax matters:* (i) Sales tax payable by the customers is included in their payments and withheld by the marketplace. (ii) The marketplace does not withhold taxes payable by us. We are responsible for tax reporting to the competent authority regarding transactions on the marketplace. • *Duration:* The relevant agreement has no fixed term and remains effective until terminated. • *Termination:* The agreement can be terminated by either party with 30 days' prior written notice, and immediate termination can occur under certain conditions, such as material breach by us. • *Commission/fees and charges*: The marketplace charges a referral fee equal to a percentage of the gross sales proceeds from the sale of products (i) including all shipping and handling, gift wrap, and other charges and (ii) excluding those taxes separately stated and charged.
Marketplace S[4]	Southeast Asia	Since 2020	• *Logistics/fulfillment*: We handle the delivery of products to customers directly and bear all associated costs. • *Payment:* The marketplace deducts commissions, transaction fees, and other applicable service fees from customer payments and remits the net proceeds to us. • *Tax matters*: (i) VAT and other applicable taxes, which customers are responsible for, are included in the total payable amount; (ii) fees payable to the marketplace include service tax/VAT and other applicable taxes. Unless otherwise agreed, we bear these taxes. • *Product return*: Customers return products to our designated address, and we handle these returned items. • *Credit control*: We are required to make a deposit to guarantee our compliance with marketplace policies. • *Commission/fees and charges:* We are required to pay commission and a transaction fee related to our sales on the marketplace. The commission is calculated by multiplying the net price (selling price plus marketplace subsidy minus our discount, excluding shipping fee) by the commission rate. The transaction fee is calculated by multiplying the net total payment made by the customer (including the shipping fee) for each order by the transaction fee rate. In addition, we need to pay the marketplace for its logistics services and may incur a fee for participating in promotional events organized by the marketplace. • *Duration:* The relevant agreement has no fixed term and remains effective until terminated. • *Termination:* The marketplace may unilaterally terminate our participation in marketplace activities at any time without our consent if: we breach the agreement, violate marketplace policies, or the marketplace determines that we no longer qualify to participate. Alternatively, termination can also be arranged through mutual agreement.

	Market covered	Duration of business relationship	Salient terms of sales arrangement DTC sales model
Marketplace L[5] . . .	Southeast Asia	Since 2018	• *Payment:* We authorize the marketplace to collect sales proceeds on our behalf, calculate and process customer payments, refunds, and adjustments. The net proceeds, which are the sales proceeds minus any sums owed to the marketplace, including commissions, payment processing fees, and other applicable deductions, will be remitted to us. • *Logistics/fulfilment:* We are responsible for delivering products to a designated location managed by the marketplace. Once delivered, the marketplace handles the logistics from storage to final delivery to the customer. • *Product return:* Returns and failed deliveries are managed in accordance with the marketplace's policies. We are responsible for costs associated with returns, including shipping and payment fees. The marketplace may not return products if not practicable and may dispose of unreturnable products at their discretion. • *Credit control:* The marketplace may exercise a lien on any products in its possession for unpaid fees. If fees remain unpaid, the marketplace has the right to sell these products to recover the owed amounts. We are responsible for any outstanding fees exceeding the proceeds from such sales. • *Tax matters:* (i) The marketplace is responsible for withholding any taxes required by law from the payments made to us. (ii) We are responsible for any taxes applicable to the services provided by the marketplace, including consumption tax. • *Duration:* The relevant agreement has no fixed term and remains effective until terminated. • *Termination:* (i) Either party may terminate with a 14-day prior written notice without cause. (ii) There are specific causes that can trigger termination. Conditions such as payment delays can grant us termination rights. Additionally, conditions such as failure to comply with laws or marketplace policies or a cessation of business can also lead to termination by the marketplace. • *Commission/fees and charges*: Commissions are calculated as a percentage of the listing price of each product sold through the marketplace. Additionally, we are responsible for payment processing fees and fees for fulfilment services provided by the marketplace, including shipping, storage, and handling, as well as other applicable charges.
Marketplace D[6] . . .	China	Since 2020	• *Payment:* The marketplace deducts applicable service fees from customer payments and remits the net proceeds to us. • *Logistics/fulfilment:* We handle product delivery directly to customers and bear all associated costs. • *Product return:* Under the marketplace's policy, we are required to offer a 7-day no-reason return policy, unless laws and regulations specify otherwise. • *Credit control:* We have made a deposit to the marketplace to ensure our compliance with legal, contractual, and platform requirements, and to cover any potential fees or penalties. • *Fees:* We pay technology service fees, calculated as a certain percentage of the transaction amount, as listed by the marketplace, which may adjust fees, payment methods, and dates from time to time. We may also incur other applicable fees and charge, such as promotional fees when participating in promotional events organised by the marketplace. • *Tax matters:* VAT payable by the customers is included in their payments processed by the marketplace and remitted to us, and we are responsible for reporting VAT to the competent authority at regular intervals. • *Duration:* The relevant agreement has no fixed term and remains effective until terminated. • *Termination:* Either we or the marketplace may terminate this agreement with a fifteen-day written notice to the other party without cause, or for specific reasons as outlined in the agreement.

	Market covered	Duration of business relationship	Salient terms of sales arrangement	
			DTC sales model	B2B sales model
Marketplace J[7]	China	Since 2017	• *Platform service:* The marketplace provides us with the necessary online space, technical support, and system maintenance, along with auxiliary and value-added services, enabling us to independently manage online shops and handle transactions. • *Payment:* The marketplace automatically generates settlement statements for completed orders each calendar day. The payment agency commissioned by the marketplace transfers payments to our accounts upon meeting the settlement conditions and receiving our settlement request. Deductions from our accounts include technology service fees and other applicable charges. • *Logistics/fulfilment:* We either directly handle the delivery of products to customers and bear all associated costs, or we deliver products to the marketplace, which then handle the delivery to the customers. • *Product return:* We are required to comply with national regulations and marketplace policies to provide repair, replacement, or returns. We offer a 7-day no-reason return policy. • *Credit control:* We deposit a security amount to guarantee our obligations, which the marketplace can deduct as a penalty or compensation if we breach the agreement. • *Commission/fees and charges:* The marketplace charges us a fixed platform service fee after granting us authorization to open an online shop on the marketplace. Additionally, a technology service fee is charged for each transaction completed, based on a certain percentage of the transaction value. We may also need to pay related fees when using value-added services provided by the marketplace. • *Tax matters:* We handle our own tax obligations; the marketplace does not withhold or pay taxes for us. • *Duration:* Sales under this model commenced in June 2017. The relevant agreement has no fixed term and remains effective until terminated. • *Termination:* The marketplace can terminate the agreement with 15 days' notice. We can request termination by applying to cease online shop operations.	• *Transfer of title and risk:* The ownership of the products transfers to the marketplace upon their acceptance. We are responsible for all costs and risks associated with the products prior to their delivery and acceptance into the marketplace's inventory. • *Product return:* We provide after-sales service for the products to the marketplace, at a standard no less than that which the marketplace offers to its customers, including a seven-day no-reason return period. • *Renewal and termination:* Sales under this model commenced in July 2017. The relevant agreement has a term of one year. If neither party raises any objections after the expiration of the agreement, the agreement will automatically extend for an additional 90 days. If either party wishes to terminate the agreement for reasons other than breach by the other party, it must notify the other party in writing at least *30 days in advance*. As of the date of the Latest Practicable Date, we have discontinued sales under the B2B sales model to the marketplace, primarily due to cost considerations. • *Payment:* Settlement is made by the marketplace 60 days after the completion of the sale. The settlement amount is the balance remaining after deducting commercial discounts, payments for returns, defective products, and price reduction compensations from all purchases made by the marketplace from us during the settlement period. • *Tax matters:* We are responsible for tax reporting to the competent authority regarding sales to the marketplace. • *Discount:* We offer commercial discounts calculated as the actual purchase amount from us by the marketplace multiplied by the agreed commercial discount rate.

Notes:

(1) Marketplace A is a major US-based online marketplace operating globally, known for its extensive selection of products and services. During the Track Record Period and up to the Latest Practicable Date, we engaged in direct sales to retail customers through Marketplace A under the DTC sales model, while also supplying products to Marketplace A under the B2B sales model.

(2) Marketplace T is a prominent Chinese online retail e-commerce platform operated by a corporate group headquartered in Hangzhou, catering primarily to consumers in China. During the Track Record Period, we engaged in direct sales to retail customers through Marketplace T under the DTC sales model, while also supplying products to Marketplace T under the B2B sales model. We discontinued sales under the B2B sales model in 2022 upon expiry of our sales agreement. As of the Latest Practicable Date, we only engage in direct sales to retail customers under the DTC sales model on Marketplace T.

(3) Marketplace W is the online retail arm of a major retail chain in the United States, known for its extensive network of offline stores. During the Track Record Period and as of the Latest Practicable Date, we only engaged in direct sales to retail customers under the DTC sales model on Marketplace W.

(4) Marketplace S is a leading e-commerce platform in Southeast Asia and Taiwan, offering a diverse range of products. During the Track Record Period and as of the Latest Practicable Date, we only engaged in direct sales to retail customers under the DTC sales model on Marketplace S.

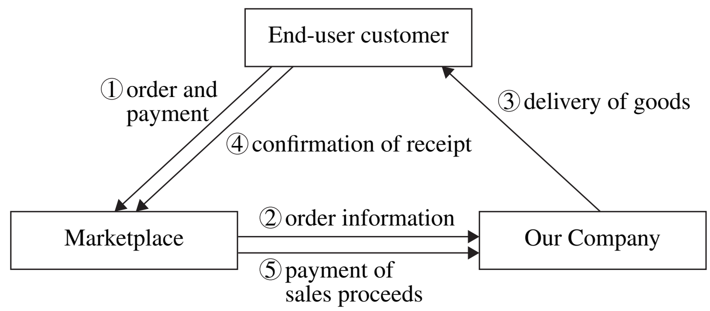
(5) Marketplace L is a leading e-commerce platform in Southeast Asia owned by a corporate group headquartered in Hangzhou, providing a variety of products to consumers across several countries including Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam. During the Track Record Period and as of the Latest Practicable Date, we only engaged in direct sales to retail customers under the DTC sales model on Marketplace L.

(6) Marketplace D is a Chinese social media platform featuring a marketplace that integrates e-commerce directly with its popular short-video services. During the Track Record Period and as of the Latest Practicable Date, we only engaged in direct sales to retail customers under the DTC sales model on Marketplace D.

(7) Marketplace J is a prominent Chinese e-commerce platform offering a wide range of products known for its rapid logistics, servicing consumers predominantly in China. During the Track Record Period, we engaged in direct sales to retail customers through Marketplace J under the DTC sales model, while also supplying products to Marketplace J under the B2B sales model. As of the Latest Practicable Date, we only engage in direct sales to retail customers under the DTC sales model on Marketplace J.

The following diagrams illustrate the transactional flow for sales to the end-user customers conducted through major online marketplaces under the DTC sales model:

*Sales through Major Marketplaces in China**



Notes:

* Tmall, JD.com, and Douyin

① The customer places an order on the marketplace and makes a payment to the marketplace.

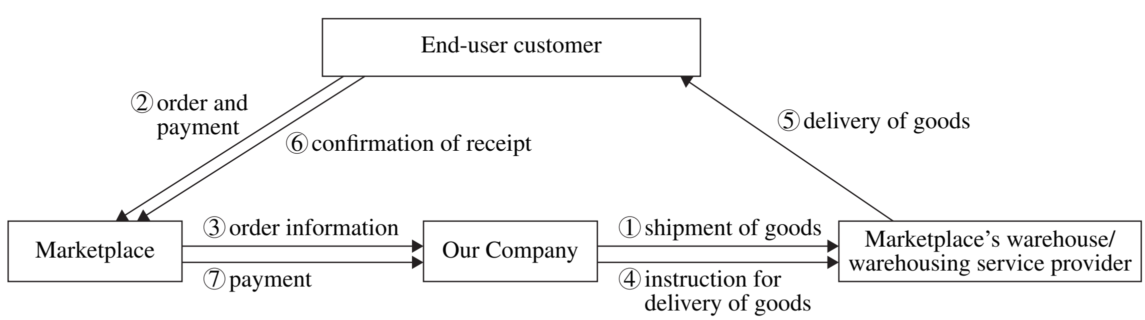
② We receive the order information from the marketplace.

③ We arrange the delivery of the goods to the customer, typically within 24 to 48 hours from order placement.

④ The customer confirms receipt of the goods on the marketplace, at which point the order is deemed complete. The process of receiving confirmation of receipt by the customer after delivery from our end typically takes two to four days.

⑤ The marketplace remits the net sale proceeds to us once an order is completed. We recognize revenue from the sale upon receipt of the payment from the marketplace.

*Sales through Major Overseas Marketplaces**



Notes:

* Amazon, Walmart.com, Shopee, and Lazada

① We ship the goods to the warehouse of the marketplace or our warehousing service providers, forming the inventories for fulfilling orders.

② The customer places an order on the marketplace and makes a payment to the marketplace.

③ We receive the order information from the marketplace.

④ We arrange the delivery of the goods to the customer through either the marketplace's services or our warehousing service providers.

⑤ The marketplace or our warehousing service providers arrange delivery to the customer, typically within 24 to 48 hours from order placement.

⑥ The customer confirms receipt of the goods on the marketplace at which point the order is deemed complete. We recognize revenue from the sale upon receipt of the goods by the customer. The delivery process from our end to the customer typically takes three to seven days.

⑦ The marketplace remits the net sale proceeds to us within one to seven days after the delivery to the customer is confirmed. For sales through Amazon, the settlement cycle is every two weeks.

Offline Sales

During the Track Record Period, substantially all of our sales for our branded business were conducted online, accounting for 97.0%, 97.6%, 99.5%, and 97.1% of our total sales for branded business in 2021, 2022 and 2023 and the three months ended March 31, 2024, 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, 2023 and the three months ended March 31, 2024, our sales to the Distributor amounted to RMB3.4 million, RMB5.0 million, RMB7.4 million, and RMB1.9 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 underperforms, 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. Regionally, we will prioritize expanding in key markets such as China, the United States, and Japan, where we have already achieved a recognizable market position, to ensure that our offline channel sales efforts are concentrated where they can have the most impact. Regarding channels or partners, we will prioritize collaborating with large offline retailers and supermarkets. If working with distributors, we also require that their end sales channels include large offline retail outlets to build direct connections with a vast offline consumer base.

In June 2023, we secured brand supplier qualification for a major retail chain in the United States (the "**US Retailer**"), which has an extensive network of offline department and warehouse stores across the country. We began shipping products to the US Retailer in December 2023 and completed our first sale to the US Retailer in February 2024. In the three months ended March 31, 2024, revenue from sales to the US Retailer amounted to RMB7.7 million.

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 from March 1, 2024 to March 31, 2025. Our sales to the Japanese Wholesaler commenced in March 2024. In the three months ended March 31, 2024, revenue from sales to the Japanese Wholesaler amounted to RMB3.7 million.

We believe that there is minimal risk of competition or cannibalization between our online and offline sales channels, primarily because: (i) due to our core online operational model, offline sales channels serve mainly as a supplement to our online operations, and we have been devoting most of our resources and management attention to the expansion of our online operations since the launch of our own brand; and (ii) we employ distinct selling strategies for each channel — we mainly sell items individually in offline channels, while our online channels offer both single items and large volumes of cookware sets. Additionally, for certain single items for offline sales, we have introduced products with differentiating design features. For instance, the Bon Appétit Ceramic cookware series, an iteration of our popular Cosy series, is specifically designed for offline sales and features an elevated pot body and a flat rounded handle.

Major Terms with the Japanese Wholesaler

The following sets forth a summary of the major terms in the sales agreement entered into with the Japanese Wholesaler in December 2023:

- *Exclusive sales rights*: We grant the Japanese Wholesaler and its affiliates exclusive sales rights within Japan for selected cookware products (i.e. frying pans, soup pots, and detachable handle cookware).

- *Sales channels*: Sales of our products shall be conducted through offline retail stores. Online sales of our products or sales outside Japan requires a joint agreement between the Japanese Wholesaler and us.

- *Retail price*: The suggested retail price range for the Japanese Wholesaler's customers will be determined through negotiation between us and the Japanese Wholesaler.

- *Minimum purchase amount*: in a separate sales memorandum entered into between the Japanese Wholesaler and us, effective from March 1, 2024 to March 31, 2025, the Japanese Wholesaler commits to a minimum purchase of US$2.0 million worth of our cookware products during the effective period of this memorandum.

- *Transfer of ownership and risk*: Ownership of the products transfers to the Japanese Wholesaler when loaded onto the ship at the designated port and the Japanese Wholesaler assumes all risk of loss upon departure of the ship.

- *Product return*: product return is possible only under limited circumstances: products can be returned if there are quality issues or discrepancies from the agreed specifications that are not discovered upon inspection by the Japanese wholesaler.

- *Payment terms*: Payments will be made via letter of credit or telegraphic transfer, with specific terms to be mutually agreed. The Japanese Wholesaler may offset any monetary claims against us with equivalent value, subject to mutual agreement. In practice, as our sales to the Japanese Wholesaler are arranged on an FOB basis, once the goods are shipped and the shipping documents are ready, the Japanese Wholesaler will make payments to us, typically through a letter of credit.

- *Term*: The agreement is effective from January 1, 2024 to December 31, 2024.

- *Termination*: Termination during the term of the agreement requires a three-month written notice and the consent of the other party. Without termination notice from either party three months prior to expiration, the agreement will automatically renew for an additional year under the same terms.

Major Terms with the US Retailer

The following sets forth a summary of the major terms in the supply entered into with the US Retailer in June 2023:

- *Order and shipping*: As the supplier, we are responsible for shipping all our products Free on Board from the port of export, handling all export licenses, customs formalities, and costs until the products have passed the ship's rail at the named port of shipment.

- *Delivery*: Timely shipment as specified in the order is essential. Late shipment, if not caused by the US Retailer, is considered a material breach, and entitles the US Retailer to either cancel the order or reject late deliveries.

- *Payment terms*: Payments are made either 50 days (subject to the requirement that we offer 1% cash discount) or 90 days after issuance of invoices, which occurs after receipt of goods.

- *Price protection*: If we reduce the price of our products before delivery or while the products are in the US Retailer's inventory, we must issue a refund or credit for the difference to the US Retailer. Additionally, if a legal authority determines that the prices we charged exceed legal limits, the prices will be automatically adjusted to comply with the law, and we must promptly refund any overpayments to the US Retailer. Furthermore, if we offer lower prices or better terms to competitors, those conditions will automatically extend to the US Retailer, including any necessary refunds for previous higher payments. We are also required to notify the US Retailer of any price increases at least 60 days in advance.

- *Product return*: when products are returned due to defects or nonconformity, customer returns, recalls, or because it is unsaleable, we are responsible for all associated costs. This includes handling fees charged by the US Retailer for disposal or destruction and/or freight charges for shipping the products back to us.

- *Term*: The agreement is effective from the date it is signed until terminated. It becomes effective for the US Retailer only after they provide written approval of us as a supplier.

- *Termination*: the US Retailer may terminate the agreement at any time before placing any order with us without penalty. Either party can terminate the agreement with 30 days' notice without penalty. The terms apply to any orders made before termination, even if delivery or acceptance of the products occurs after the termination.

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 most of our five largest ODM customers in each period of 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.

Impact of COVID-19

The global outbreak of coronavirus (COVID-19) since early 2020 has disrupted the global supply chain across various industries, including the kitchenware sector in which we operate. During the initial stages of COVID-19 up to June 2020, we experienced occasional delays in delivering our products to our customers, both in China and internationally, due to disruptions in the logistics services we relied upon, as well as delayed deliveries from our contract manufacturers in China. We mitigated these temporary disruptions through several measures, including increasing our inventories, raising purchase quantities for individual orders, and promptly seeking alternative suppliers in the event of delays. As a result of these measures, we did not experience any material delays in product delivery. Additionally, since the outbreak of COVID-19, ocean freight fees for shipping our products to overseas customers have remained elevated and only began to gradually decrease starting in September 2022. In 2021, 2022, 2023 and the three months ended March 31, 2024, the percentage of total ocean freight costs relative to our revenue from branded business was 9.2%, 4.4%, 3.7%, and 4.1%, respectively.

COVID-19 also temporarily impacted demand from a major ODM customer based in Italy, Customer B, which was one of our five largest ODM customers in each period of the Track Record Period and contributed 42.1%, 20.6%, and 28.9% of our total revenue from our ODM business in 2021, 2022 and 2023, respectively. During the initial outbreak of COVID-19 in Europe, purchase orders from Customer B surged as it stockpiled in anticipation of further disruptions in the global supply amid the pandemic, with the annual purchase amount peaking at RMB165.0 million in 2021. In 2022, due to the continued impact of COVID-19 on the global economy and consumer activities, purchases from Customer B decreased to RMB48.9 million, as it aimed to sell off its existing stock, particularly the increased purchases made in 2021. In 2023, its purchase amount restored to RMB58.8 million.

On the other hand, the pandemic has spurred the rapid development of e-commerce platforms, both in China and globally, benefiting our branded business that primarily operates online through marketplaces. Furthermore, according to CIC, the outbreak of COVID-19 drastically altered consumer behavior patterns, proving the feasibility of remote working across various industries and boosting its acceptance among employers and consumers. This shift has led to a continued rise in home cooking and demand for kitchenware products, and this trend is expected to persist due to changes in consumers' lifestyles brought about by COVID-19, according to CIC. Therefore, despite the challenges posed by COVID-19 to public at large, our branded business has seen substantial growth in revenue and profitability during the Track Record Period.

Overall, while COVID-19 introduced operational challenges during its early stages, particularly related to logistics and customer demand fluctuations, we managed to mitigate these through adjustments and benefited from an accelerated shift towards e-commerce. Therefore, we believe that COVID-19 did not have a material adverse effect on the Group's business.

Future Growth

The demand for cookware with convenient use and easy storage, features that are found in our product offerings, increased during the COVID-19 outbreak, driven by the shift to remote working and home cooking lifestyles. While it is uncertain whether these trends will continue to rise or eventually decline, we intend to sustain our future growth by leveraging our online operational model and product offerings, which have served us well in the past and will remain our focus moving forward. Our growth strategy will concentrate on continuous product iteration and enhancement, guided by our understanding of market developments and customer needs. This approach will be informed by insights gathered from our direct-to-consumer online operations. As we did during the Track Record Period, we aim to continue recognizing, capturing, and catering to shifts in customer demand and broader lifestyle changes through this proactive process. Additionally, we plan to fuel future growth by expanding our sales channels, both online and offline, to reach new markets and customer bases. For more details, see "— Our Strategies — Continuously Expanding Global Reach and Enhancing Brand Recognition Worldwide."

Sales to the United States

We generated a substantial portion of our revenue from branded products sold in the United States during the Track Record Period. Revenue of our branded business from the U.S. market increased substantially from RMB46.6 million in 2021 to RMB740.1 million in 2023, reaching RMB269.8 million in the three months ended March 31, 2024.

We attribute this robust growth to several key drivers. Our scalable business model, which leverages our extensive online operational experience, facilitates rapid expansion across various online platforms. For instance, our successful entry into Walmart's online marketplace in 2022 significantly boosted our U.S. market revenue. Additionally, our deep understanding of consumer preferences in the United States has allowed us to meet their evolving demands effectively. In response to the slowing economic growth in the U.S., consumers have become more discerning, favoring cookware that offers better value. Our products, designed with the emphasis of "Better for Use" and "Better for Value," have met this demand by providing good-quality, reasonably priced options. Our strategy of selling more product sets rather than individual items has aligned well with consumer expectations, enabling us to capture a significant share of the U.S. online cookware market. For more details, see "Industry Overview — U.S. Cookware Industry."

Furthermore, our rapid expansion and growth in the U.S. market are also attributed to our competitive advantages over other PRC-based market players. Mostly importantly, these include established cooperation with leading online marketplaces in the United States, such as Amazon and Walmart, allowing us to access their extensive customer bases across the United States and beyond. This advantage also translates into better market insight and customer feedback, which helps us enhance our product design and offerings, fueling future growth. We began cooperating with Amazon in the United States as early as 2017, establishing a first-mover advantage over many PRC-based cookware brands according to CIC and maintaining stable cooperation as we gradually expanded our operations on its platform over the years. Our cookware products are regularly featured on Amazon's best-sellers lists. Additionally, as an important supplement to our online presence in the United States, we started cooperating with Walmart.com in 2022. Our products have been well-received by customers on Walmart.com, and our revenue on the platform has increased substantially from our initial launch in 2022 through 2023. Moreover, we believe that our sizable market share in the U.S. online cookware market allows us to have enhanced brand recognition over other PRC-based market players, ensuring better visibility and preference among the consumers.

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 products' 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.

While we aim to continue offering products at competitive prices, our pricing strategies are flexible and based on market conditions, avoiding mere price reductions to stay competitive. We regularly forecast future expenses in major markets and anticipate potential increases or reductions in product costs or sales expenses. When an increase or decrease in these costs or expenses is foreseen, we will adjust our sales strategy based on a target profit margin, working backwards to ensure that pricing and other sales tactics align with our profit goals. In this process, we also consider the pricing of offerings from our competitors to ensure that our profit targets are practical and adaptable to the market changes. This approach allows for dynamic pricing that not only responds to market conditions but also proactively manages and ensures profitability.

According to CIC, the cookware market is highly fragmented, and a market-oriented pricing model allows companies like us to manage competitive pressures effectively, balancing profitability with market competitiveness. By prioritizing customer needs and making timely pricing adjustments based on market observations and forecasts, this market-driven pricing strategy ensures alignment with consumer expectations, helping kitchenware brands like ours maintain customer appeal while achieving strong profits. As such, our pricing model is substantially similar to those of our competitors, according to CIC.

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 over 20 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.

Revenue is reported net of sales from returned products in our consolidated financial statements for the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2024. We estimated sales return based on historical return rate and true up based on actual return in the subsequent period. Consequently, there is no material differences between such estimated and actual sales returns.

The value of products returned to us from DTC sales (which were excluded from our revenue) amounted to RMB6.0 million, RMB15.7 million, RMB46.5 million, and RMB18.0 million in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively, representing 2.4%, 3.1%, 3.4%, and 4.1% respectively, of our DTC revenue during the same periods. Additionally, we did not record any returns, nor did any occur, from our B2B sales during the Track Record Period.

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 indirectly collect certain specific personal and transaction-related data in the normal course of our business, including de-identified customer information, such as partially removed or obscured names, addresses, and phone numbers. We access this information through the online marketplaces where we operate, which share it with us for order fulfillment purposes, and customers agree to share this information to receive our services when they place orders on these marketplaces.

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 that provides a holistic approach to addressing data security matters.

Compliance with applicable laws and regulations regarding data privacy and security is a priority for us. 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."

During the Track Record and up to the Latest Practicable Date, the Group had not been (i) subject to any material claims, investigations or legal proceedings settled, pending or threatened for any material non-compliance with or violations of applicable PRC laws and regulations with respect to infringement of cybersecurity, privacy and personal data protection; and had been (ii) in compliance with applicable laws and regulations relating to data security and privacy in all material aspects (including, but not limited to, having all consumers' personal data collected within the PRC to be stored in the PRC).

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 establishing access controls that limit access to authorized employees only, specifically for the purposes of processing and fulfilling orders, thereby 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*: While we do not directly collect personal information in the course of our business (see "— Our Data Practice"), we are committed to minimizing risks concerning sensitive personal information, should the need arise to collect such information directly in the future. If that occurs, we commit to de-identifying it during collection and storage by either partially removing or obscuring identifiers such as names, addresses, and phone numbers, or by encrypting the information. This approach will be adopted unless de-identification or encryption proves impractical for maintaining service quality.

- *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.

Our Data Practice

In particular, we do not directly collect personal data in the course of our business. Instead, we receive de-identified customer information, including partially removed or obscured names, addresses, and phone numbers, from the online marketplaces for the purpose of fulfilling customer orders. This information is shared with us via the IT system provided by JST, a business solution provider that supplies software services. When we arrange product deliveries through JST's system, JST shares the necessary information with third-party logistics companies for delivery purposes. We believe this practice of sharing personal information between the online marketplaces, us, JST, and third-party logistics companies is commercially necessary to complete transactions with our customers and is common among vendors operating on leading marketplaces in the PRC. In addition to our data protection policies, the processing of our customers' personal information is managed under JST's privacy policy, which regulates the collection, processing, storage, and deletion of this data. To the best of our knowledge, JST is not only compliant with its privacy policy but has also achieved ISO 27001 Certification, a widely recognized best practice framework for an information security management system.

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.

Cybersecurity-related Matter

On December 28, 2021, the CAC together with other regulators jointly promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "**Cybersecurity Review Measures**"), which took effect on February 15, 2022. The Cybersecurity Review Measures stipulates that critical information infrastructure operators 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, the 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 Regulations**"), which covers a wide range of cyber data security issues and applies to the use of networks to carry out data processing activities, as well as the supervision and management of data security in the PRC. As of the Latest Practicable Date, the Draft Regulations was only released for public comments.

As advised by our PRC data compliance advisor, King & Wood Mallesons (the "**PRC Data Compliance Advisor**"), with which the Joint Sponsors concur, we hold the following views:

(a) based on the consultation by the PRC Data Compliance Advisor in February 2024 with China Cybersecurity Review, Certification and Market Regulation Big Data Centre (中國網絡安全審查認證和市場監管大數據中心) (which has been delegated by the CAC to provide public consultation and accept submissions regarding cybersecurity review) (the "**Consultation**"), listing in Hong Kong does not constitute "listing abroad", and therefore, we are not subject to the cybersecurity review prescribed by the Cybersecurity Review Measures;

(b) we have established internal control policies and procedures that will comply with the Draft Regulations (assuming implemented in its current form), which requires that data processors carrying out data processing activities within the PRC establish data security protection systems and measures; and

(c) the Cybersecurity Review Measures and the Draft Regulations (assuming implemented in their current forms) will not have a material adverse impact on the Group's business operations or the Listing.

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 a 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 prospectus.

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$22.6 billion by 2028, with a CAGR of 7.5% from 2023 to 2028. 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 March 31, 2024, we employed 180 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	67	37.2
Product design and development	9	5.0
Supply chain management	70	38.9
General and administration	34	18.9
Total	**180**	**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 for certain employees or did not make these 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, RMB3.4 million, and RMB1.0 million in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. The shortfall of housing provident fund contribution amounted to RMB1.5 million, RMB1.7 million, RMB2.4 million, and RMB0.6 million in 2021, 2022 and 2023 and the three months ended March 31, 2024, 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. We plan to gradually achieve full compliance with the relevant laws and regulations in relation to social security insurance and housing provident funds within the next five years.

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.

Based on the opinion of our PRC Legal Advisor, 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 Listing, 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. The ESG Committee provides quarterly briefings to the Board of Directors, presenting a comprehensive review of ESG-related developments from the preceding three months.

Furthermore, it furnishes the Board with project-specific updates, aligned with the progress of the Company's ESG initiatives, ensuring a consistent flow of information and strategic oversight.

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. To further reinforce our commitment to robust ESG governance, we have engaged an independent ESG advisory firm to provide the Board of Directors and management team with expert guidance. This ensures our compliance with the latest regulatory ESG mandates and the fulfillment of our ESG-related responsibilities. Our appointed ESG consultants bring extensive experience in the field, having advised numerous publicly listed companies on ESG matters.

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 contract manufacturers 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; and 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.

Time horizon	Risk type	Associated risk	Potential impact	Mitigation measures
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.
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.

Time horizon	Risk type	Associated risk	Potential impact	Mitigation measures
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.

Emissions

We strictly adhere to the Measures for the Administration of Pollution Discharge Permits (For Trial) (《排污許可管理辦法(試行)》) issued by MEP, and other relevant laws and regulations. For details, please refer to the section headed "Regulatory Overview — Regulations on Environmental Protection" in this prospectus. We are committed to minimizing the environmental impact of our business operations. We have implemented robust environmental safety monitoring mechanisms and adopted measures such as water and energy conservation to mitigate greenhouse gas emissions. For example, our ESG working group carries out regular audits of our water usage and enforces strict office lighting schedules, effectively conserving both water and electricity. In addition, we have launched a campaign to promote energy and resource conservation at the office, organizing initiatives like "Earth Hour." These efforts have raised awareness about energy and water conservation among our staff, leading to reduced wastage of electrical and water resources in our office environment. Furthermore, we engage in active collaboration with suppliers to cultivate an energy-efficient and environmentally friendly supply chain. The following table outlines indicators related to emissions during the Track Record Period.

		For the Year Ended December 31,			For the Three Months Ended March 31,
		2021	2022	2023	2024
Total greenhouse gas emission[1]	Tonnes of CO_2 equivalent	1,140.63	233.06	118.66	28.10
Greenhouse gas emission (scope 1)[2].	Tonnes of CO_2 equivalent	319.91	166.19	31.79	4.40
Greenhouse gas emission (scope 2)[3].	Tonnes of CO_2 equivalent	820.72	66.87	86.87	23.70

Notes:

(1) The greenhouse gas emissions of our Group are disaggregated according to the "Reporting Guidance on Environmental KPIs" issued by the Stock Exchange. The emissions data have been audited by the ESG consultant, CIC.

(2) Scope 1 emissions refers to direct emissions from operations that are owned or controlled by our Group.

(3) Scope 2 emission refers to energy indirect emissions resulting from the generation of purchase or acquired electricity, heating, cooling and steam consumed within our Group.

The substantial decrease in the Group's greenhouse gas emissions during the Track Record Period is primarily attributed to the strategic shift in our production to a fully outsourced model and the downsizing of operations related to our canteen in this period. Since February 2022, we had ceased operations at our in-house manufacturing facilities and transitioned to a partnership model with contract manufacturers for product production. Consequently, the electricity and natural gas consumption associated with manufacturing operations decreased substantially in 2022, for both Scope 1 and Scope 2 emissions. Additionally, the downsizing of operations relating to our canteen from 2022 until the end of 2023, when we discontinued our canteen operations, contributed to a reduction in electricity and natural gas consumption. These two events together contributed to over 80% of the reduction in our greenhouse gas emissions in the periods from 2021 to 2022 and from 2022 to 2023.

Raw Materials

We have meticulously assessed the environmental impacts of our primary raw materials and have enacted corresponding management protocols. The core materials employed in our manufacturing processes encompass aluminum alloy, paper, glass, bakelite, and stainless steel. In 2023, the respective consumption of these materials was quantified at 9,450.2 tonnes for aluminum alloy, 5,973.3 tonnes for paper, 5,292.0 tonnes for glass, 2,388.0 tonnes for bakelite, and 1,538.4 tonnes for stainless steel.

Generally, the manufacturing of raw materials mentioned above potentially resulting in emissions such as wastewater and greenhouse gases. Moreover, the improper disposal may cause enduring harm to ecosystems. To address these impacts, we mandate our contract manufacturers to procure raw materials from facilities adhering to national environmental standards, and advocate for the use of recyclable raw materials.

With regard to the environmental impact associated with raw materials, should our contract manufacturers fail to appropriately process and dispose of these materials during production, it could result in incidents of environmental contamination. Such incidents expose us to potential environmental liabilities and reputational risks. To mitigate associated risks, we require that all our contract manufacturers adhere strictly to environmental statutes and regulatory mandates throughout their production operations. Throughout the Track Record Period, our top 10 suppliers have upheld an impeccable compliance record, free from any environmental infraction penalties.

At the same time, we are committed to reducing raw material waste in all aspects of our production processes. By fostering a collaborative relationship with our contract manufacturers, we aim to enhance the efficiency of raw material utilization. We are continuously working to improve our product formulations and designs, which contributes to a decrease in raw material usage. Moreover, we require our contract manufacturers to strengthen their quality control protocols to minimize defects and subsequent rework, thereby curtailing raw material wastage. Furthermore, we will work in close partnership with our contract manufacturers to research and develop innovative processes that will advance the efficiency of raw material utilization.

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 intensity . . .	Using 2023 as the baseline year, we aim to reduce overall electricity consumption intensity by 5% over the next five years.
Water consumption intensity	Using 2023 as the baseline year, we aim to reduce overall water consumption intensity by 5% over the next five years.

Note:

Electricity consumption intensity refers to the volume of electricity consumed per RMB1 million of revenue.

Water consumption intensity refers to the volume of water consumed per RMB1 million of revenue.

As we continue to expand our business and product portfolio, we are conscious of any impact that such expansion may have on our progress towards achieving ESG-related performance. As such, we plan to achieve our ESG related targets and related KPIs through a holistic approach, which includes the following:

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;
- Acquiring office electrical appliances with a high energy efficiency rating, and ensuring they are switched off or set to sleep mode when not in use to reduce electricity consumption;
- Implementing an intelligent power management system to monitor and control electricity usage; and
- Installing water-saving cleaning equipment to minimize water wastage during office cleaning processes and support water conservation efforts.

Green Partnership Goals

- Mandating our contract manufacturers to organize production processes and work schedules to prevent equipment idling and unnecessary restarts and reduce energy use;
- Encouraging our contract manufacturers to install rainwater harvesting systems for use in production and cleaning processes, thereby promoting sustainable water use;

- Encouraging our contract manufacturers to adopt wastewater treatment technologies to recycle and reuse water from production processes to enhance water source conservation efforts;

- 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 Targets of Our Supply Chain

In our supply chain operations, electricity serves two critical functions: 1) It powers the high-temperature furnaces, which is essential for die-casting process. 2) It provides the necessary energy to operate production machinery, thereby ensuring uninterrupted and efficient manufacturing workflows. Regarding our supply chain's electricity usage, we've implemented various energy-saving initiatives, including but not limited to:

- Installing photovoltaics to increase our use of clean energy.

- Prioritizing the use of variable frequency starting power-driving equipment to reduce electricity consumption.

- Regularly conducting circuit inspections and repairing faulty wiring to mitigate electricity loss resulting from leaks and inadequate contact heating.

To enhance our supply chain's electricity consumption efficiency, our target is that by 2028, all newly acquired production equipment from our contract manufacturers will boast the lowest power consumption compared to similar-market equipment in terms of operational efficacy and cost efficiency.

Water is primarily utilized in our production process for the spray coating of non-stick pans. Presently, prior to the application of the non-stick coating, pans undergo a cleaning process with water as per procedural requirements. This cleaning procedure eliminates surface contaminants such as oil, dust, impurities, or residues, thereby enhancing the adhesion and uniformity of the non-stick coating, consequently improving product quality. The water consumption during this step typically constitutes approximately 70%-90% of the total water consumption in the production process of non-stick pans. Presently, we are enhancing water efficiency in the spraying process at our contract manufacturing facilities through initiatives such as upgrading spraying equipment, optimizing spray production lines, and augmenting the expertise of spray operators. These endeavors will not only enhance our ESG performance but also lower the production costs of non-stick pans, enabling us to offer consumers more competitively priced products.

Moving forward, we will persist in investing in the research and optimization of spraying technology. Our target is more than 80% of our cookware products to eliminate the need for water cleaning before applying the non-stick coating by 2028.

We plan to take the following measures to achieve the ESG-related goals of our supply chain:

Providing ESG management and production-related guidance for our contract manufacturers:

- Acquiring software, IoT hardware, and other equipment for automated monitoring of production processes to ensure real-time monitoring of the production supply chain by the company

- Assigning company personnel to be onsite for monitoring the production operations of contract manufacturing plants, offering relevant guidance and training on ESG management, and providing assistance on production-related matters to the contract manufacturing plants.

Improving our production processes:

- Setting up an ESG research and development center to enhance cookware production processes through independent and collaborative research with upstream suppliers, thereby boosting production efficiency and lowering electricity and water consumption per unit product.

- Offering technical guidance to contract manufacturing plants to enhance their production efficiency and quality control, thereby decreasing our product procurement expenses and improving the overall quality of our products.

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 March 31, 2024:

	Number of employees	**% of total**
By gender		
Male	112	62.2%
Female	68	37.8%
By age group		
At or below 25	42	23.3%
Between 26 and 34	94	52.2%
Between 35 and 50	36	20.0%
Above 50	8	4.4%
Total	**180**	**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 and retirement benefits, workers' compensation, and other miscellaneous benefits, aiming 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 and 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.

To the best of the our knowledge, no employees of our Group or contract manufacturers had suffered from material personal injuries or fatality due to industrial accidents arising from the ordinary course of business during the Track Record Period and up to the Latest Practicable Date.

Corporate Social Responsibility

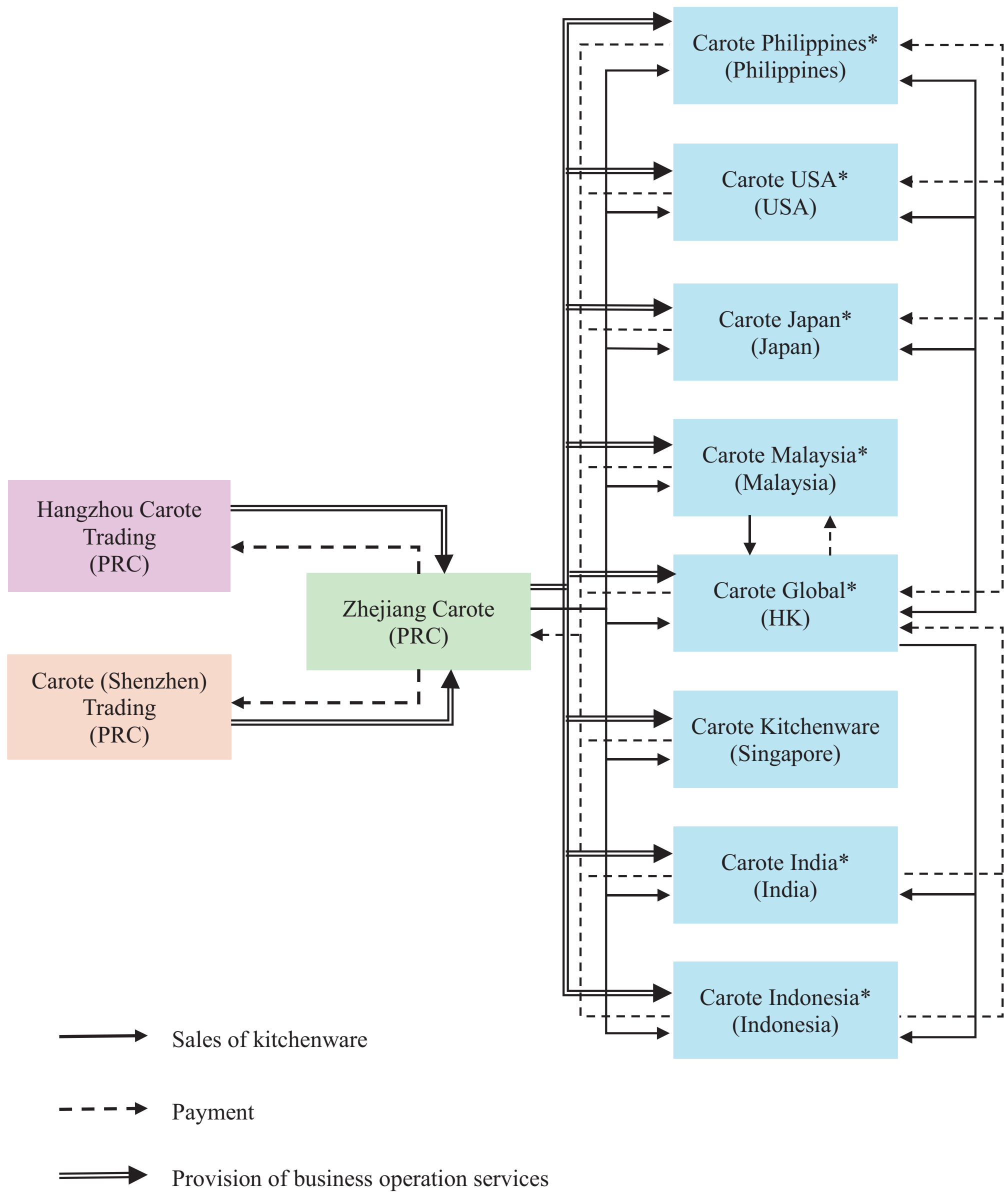
At our Company, corporate social responsibility is at the core of our operations. We believe in the significance of giving back to the community, as it has been the foundation of our business. For instance, we actively contribute to the Alibaba Foundation through regular donations. Our donations benefit 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 intra-group transactions, which involved subsidiaries in Hong Kong, the PRC, Japan, the United States, Indonesia, India, Philippines, Singapore, and Malaysia, included tangible goods buy-sell and operational support service transactions, with total values of RMB61.1 million, RMB163.9 million, RMB697.0 million, and RMB182.3 million in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively (collectively, the "**Covered Transactions**").

The following diagram sets forth our transaction flow in respect of the Covered Transactions:



The roles and functions of each of the relevant subsidiaries in the Group for the transfer pricing arrangement:

Zhejiang Carote	• Acting as (a) the Group's procurement centre of kitchenware products for onward selling to the Group's subsidiaries; (b) operator of stores on different online marketplaces in the PRC markets; and (c) an entity to conduct the ODM sales for the Group.
Hangzhou Carote Trading	• Primarily engaged by Zhejiang Carote to provide business operational services for operating and managing our online stores across various geographic markets to Carote Japan, Carote Global, Carote USA, Carote Indonesia, Carote India, Carote Philippines, Carote Kitchenware (Singapore), Carote Malaysia, and Zhejiang Carote. It also provides product design and development services, supply chain management services, and general administrative services to Zhejiang Carote. • Business operational services include maintaining and managing content for various online stores, such as product descriptions, product specifications, and shipment status updates.
Carote (Shenzhen) Trading	• Primarily engaged by Zhejiang Carote to provide business operational services for operating and managing our online stores across various geographic markets to Carote Global. • Business operational services include maintaining and managing content for various online stores, such as product descriptions, product specifications, and shipment status updates.
Carote Japan, Carote Global, Carote USA, Carote Indonesia, Carote India, Carote Philippines, Carote Kitchenware (Singapore), and Carote Malaysia	• Operators of our stores on different online marketplaces across various overseas markets. • Mainly purchases kitchenware products from Zhejiang Carote* to fulfil online or offline orders in various overseas markets.

* There are (a) certain two-way buy-sell of kitchenware between Carote Global and (i) Carote Japan; (ii) Carote USA; and (iii) Carote Philippines; (b) purchase of kitchenware by Carote Global from Carote Malaysia; and (c) purchase of kitchenware by Carote India and Carote Indonesia from Carote Global, mainly for the purpose of managing inventory levels and meeting sales needs.

Transfer Pricing Assessment

The Organization for Economic Co-operation and Development (the "**OECD**") has 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 tax laws in jurisdictions involved in our intra-group transactions, including Hong Kong, the PRC, Japan, the United States, Indonesia, India, Philippines, Singapore, and Malaysia. According to the OECD Transfer Pricing Guidelines, intra-group transactions should be conducted on an arm's length basis to avoid distorted taxable income in different jurisdictions.

We have engaged an independent transfer pricing advisor, Acclime Tax Advisory (Hong Kong) Limited, (the "**Transfer Pricing Advisor**") to conduct benchmarking studies (the "**Benchmarking Study**") on the Covered Transactions, in accordance with the OECD Transfer Pricing Guidelines. Our Transfer Pricing Advisor has determined that the transactional net margin method was the most appropriate transfer pricing method 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 levels was determined by reference to the profit levels of comparable companies (the "**Comparable Profit Level Range**").

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 ("**PLI**") to provide a basis for the analysis of the controlled intra-group transactions for provision of business operational 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 to the profit of the tested entity should be made to achieve a profit level comparable with that under the arm's length principle. Based on the Benchmarking Study, 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**").

Transfer Pricing Adjustments

The following sets forth the details of the Transfer Pricing Adjustments, including a breakdown of these adjustments by the nature of the revenue and costs/expenses involved.

Reallocation of profits from Zhejiang Carote to Hangzhou Carote Trading and Carote (Shenzhen) Trading

During the Track Record Period, Hangzhou Carote Trading and Carote (Shenzhen) Trading provided business operational services to Zhejiang Carote at cost. To align these transactions with the arm's length principle, we applied the following adjustments by incorporating an appropriate mark-up percentage to the costs incurred by Hangzhou Carote Trading and Carote (Shenzhen) Trading for the provision of services:

Transfer Pricing Adjustments	Year ended December 31,			Three months ended March 31,
	2021	2022	2023	2024
	(RMB)	*(RMB)*	*(RMB)*	*(RMB)*
Additional services fee to be charged by Hangzhou Carote Trading to Zhejiang Carote	1,836,594	5,070,749	Nil[1]	1,304,629
Additional services fee to be charged by Carote (Shenzhen) Trading to Zhejiang Carote	N/A[2]	N/A[2]	367,698	330,700
Additional services fee to be (paid) by Zhejiang Carote to Hangzhou Carote Trading / Carote (Shenzhen) Trading	(1,836,594)	(5,070,749)	(367,698)	(1,635,329)

Notes:

(1) Since the profit level of Hangzhou Carote Trading for 2023 falls within the Comparable Profit Range Level, no transfer pricing adjustment is required.

(2) Carote (Shenzhen) Trading was established in 2022 and started operation in 2023.

Reallocation of profits from Carote Global to Zhejiang Carote

Carote Global, our operating subsidiary in Hong Kong, performs only minimal functions and assumes limited risks, while Zhejiang Carote undertakes the majority of the functions and bears the associated risks, either through direct employment of resources or through outsourcing arrangement. From transfer pricing perspectives, Carote Global should retain minimal level of profits. Therefore, we made the following adjustments to reallocate the profits from Carote Global to Zhejiang Carote:

Transfer pricing adjustments to reallocate profits from Carote Global to Zhejiang Carote	Year ended December 31,			Three months ended March 31,
	2021	2022	2023	2024
	(RMB)	*(RMB)*	*(RMB)*	*(RMB)*
Zhejiang Carote	10,960,840(1)	26,645,479(2)	82,104,806(3)	23,756,131(4)
Carote Global	(10,960,840)(1)	(26,645,479)(2)	(82,104,806)(3)	(23,756,131)(4)

Notes:

(1) Transfer pricing adjustment of RMB10,960,840 for 2021 includes (i) services fee adjustment of RMB2,810,789; and (ii) profits adjustment of RMB8,150,051.

(2) Transfer pricing adjustment of RMB26,645,479 for 2022 includes (i) services fee adjustment of RMB5,603,954; and (ii) profits adjustment of RMB21,041,525.

(3) Transfer pricing adjustment of RMB82,104,806 for 2023 includes (i) services fee adjustment of RMB9,433,804; and (ii) profits adjustment of RMB72,671,002.

(4) Transfer pricing adjustment of RMB23,756,131 for the period from January 1, 2024 to March 31, 2024 includes (i) services fee adjustment of RMB2,965,554; and (ii) profits adjustment of RMB20,790,577.

Our Transfer Pricing Advisor is of the opinion that after the Transfer Pricing Adjustments, the profit levels of the relevant subsidiaries are reasonable and commensurate with their respective functions and risks, and our transfer pricing arrangement 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, RMB12.6 million, and RMB3.7 million in 2021, 2022 and 2023 and the three months ended March 31, 2024, 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."

We have filed tax returns with the relevant tax authorities in the PRC in respect of the year ended December 31, 2023, which have reflected the effects of the Transfer Pricing Adjustments for the three years ended December 31, 2023. Additionally, we have paid in full the PRC enterprise income tax in respect of the year ended December 31, 2023, which included the additional PRC enterprise income tax arising from the Transfer Pricing Adjustments for the three years ended December 31, 2023.

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." During the Track Record Period and up to the Latest Practicable Date, we did not receive any demands or challenges from relevant authorities in any jurisdiction for additional tax payment.

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, Japan, Indonesia, India, Philippines, Singapore, and Malaysia in relation to the Covered Transactions.

Transfer Pricing Documentation

The subsidiaries involved in our intra-group transactions need to comply with the applicable laws and regulations in the relevant jurisdictions in which these subsidiaries operate (the "**Relevant Jurisdictions**") imposing requirements on transfer pricing documentation. During the Track Record Period, the Relevant Jurisdictions included Hong Kong, the PRC, Japan, the United States, Indonesia, India, the Philippines, Singapore, and Malaysia.

As advised by the Transfer Pricing Advisor, the requirements on Transfer Pricing in the Relevant Jurisdictions generally follow, or are considered to be consistent with the OECD Transfer Pricing Guidelines, subject to the local-specific requirements for the preparation of the transfer pricing documentation.

According to the Transfer Pricing Guidelines promulgated by the Organization for Economic Co-operation and Development ("**OECD Transfer Pricing Guidelines**"), a three-tiered approach has been introduced to transfer pricing documentation, including (i) a Master File; (ii) a Local File; and (iii) a Country-by-Country Report.

Master File

The information required in the Master File provides a "blueprint" of the multinational enterprise ("**MNE**") group and contains relevant information that can be grouped into five categories: (a) the MNE group's organizational structure; (b) a description of the MNE's business(es); (c) the MNE's intangibles; (d) the MNE's intercompany financial activities; and (e) the MNE's financial and tax positions.

Local File

The information required in the Local File supplements the Master File and helps meet the objective of assuring that the taxpayer has complied with the arm's length principle in its material transfer pricing positions affecting a specific jurisdiction. The Local File focuses on information relevant to the transfer pricing analysis related to transactions taking place between a local country affiliate and associated enterprises in different countries, which are material in the context of the local country's tax system. Such information would include relevant financial information regarding those specific transactions, a comparability analysis, and the selection and application of the most appropriate transfer pricing method.

Country-by-Country Report

The Country-by-Country Report requires aggregate tax jurisdiction-wide information relating to the global allocation of the income, the taxes paid, and certain indicators of the location of economic activity among tax jurisdictions in which the MNE group operates. The report also requires a listing of all the MNE group's relevant entities for which financial information is reported, including the tax jurisdiction of incorporation (where different from the tax jurisdiction of residence), as well as the nature of the main business activities carried out by that MNE group's relevant entities.

Compliance with Transfer Pricing Documentation Requirements

During the Track Record Period, in all tax jurisdictions where the Group's subsidiaries were required to comply with relevant transfer pricing documentation requirements, such subsidiaries have been in full compliance. As advised by the Transfer Pricing Advisor, these transfer pricing documentation requirements do not constitute any investigation or enquiry by the relevant tax authorities. As of the date of this Prospectus, the Group's subsidiaries have not been requested by the relevant tax authorities to prepare and/or submit any transfer pricing documentation on the transfer pricing before and after the Transfer Pricing Adjustments.

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 March 31, 2024, 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 prospectus any valuation report. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus 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

During the Track Record Period and up to 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 the applicable laws and regulations in relation to our business in all material respects and were not involved in any non-compliance incidents which the Directors believe would, individually, or in aggregate, have a material adverse effect on our business as a whole. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material penalty or investigation in relation to our business operation and, to the best of the knowledge of our Directors, the Group has not received any notice that any investigation in relation to non-compliance with laws or regulations by our Group is threatened or pending from any competent governmental authority in the jurisdictions in which it operates as of the Latest Practicable Date.

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 Global Offering (assuming the Over-allotment Option is not exercised), Mr. Zhang and Ms. Lyu will be indirectly interested in and control, through the Intermediary Shareholders, an aggregate of 74.99% of the issued share capital in our Company.

Accordingly, immediately upon completion of the Global Offering (assuming the Over-allotment Option 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 74.99% of the issued share capital in our Company. For the background of Mr. Zhang and Ms. Lyu, see "Directors and Senior Management".

INDEPENDENCE FROM OUR 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 Listing.

Management Independence

Our business is managed and conducted by our Board and senior management. Upon Listing, 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 prospectus.

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"; and

(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 Global Offering 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 Listing. 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 Listing.

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 as set out in Appendix C1 of the Listing Rules (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 Listing, 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 Listing.

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 Listing 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 March 31, 2024, the value of right-of-use assets we recognized on our balance sheet arising from leasing the Premises was RMB5,182,000.

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 Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option):

Authorised share capital:		*US$*
2,000,000,000	Shares of par value of US$0.0005 each	1,000,000.0
Issued and to be issued, fully paid or credited as fully paid:		
405,658,600	Shares in issue at the date of this prospectus	202,829.3
129,864,500	Shares to be issued pursuant to the Global Offering	64,932.3
535,523,100	**Shares in total**	**267,761.6**

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 Global Offering (assuming the Over-allotment Option is exercised in full):

Authorised share capital:		*US$*
2,000,000,000	Shares of par value of US$0.0005 each	1,000,000.0
Issued and to be issued, fully paid or credited as fully paid:		
405,658,600	Shares in issue at the date of this prospectus	202,829.3
129,864,500	Shares to be issued pursuant to the Global Offering	64,932.3
19,479,500	Shares to be issued pursuant to the exercise of the Over-allotment Option in full	9,739.8
555,002,600	**Shares in total**	**277,501.3**

RANKING

The Offer Shares will rank pari passu in all respects with all Shares currently in issue or to be issued as mentioned in this prospectus 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 prospectus.

POTENTIAL CHANGES TO SHARE CAPITAL

Circumstances under which general meetings are required

Upon completion of the Global Offering, 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 Global Offering 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 Global Offering; 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 Global Offering 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 Global Offering.

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (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.

So far as our Directors are aware, immediately following the completion of the Global Offering and assuming that the Over-allotment Option 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 Global Offering	Approximate Percentage of Shareholding in Our Company upon the Completion of the Global Offering (Assuming the Over-allotment Option is not Exercised)	Approximate Percentage of Shareholding in Our Company upon the Completion of the Global Offering (Assuming the Over-allotment Option is Fully Exercised)
Mr. Zhang[2, 3]	Interest in a controlled corporation	401,602,000	401,602,000	74.99%	72.36%
Ms. Lyu[2]	Interest in a controlled corporation	400,000,000	400,000,000	74.69%	72.07%
Yili Investment	Beneficial interest	400,000,000	400,000,000	74.69%	72.07%
Yili Capital[2]	Interest in a controlled corporation	400,000,000	400,000,000	74.69%	72.07%
Guodong Capital[2, 3]	Interest in a controlled corporation	401,602,000	401,602,000	74.99%	72.36%

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 Global Offering (assuming the Over-allotment Option 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 our three (3) executive Directors and two (2) other senior management 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) . .	37	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

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as a Director
Ms. YEUNG Shuet Fan Pamela (楊雪芬)	50	Independent non-executive Director	Supervising and providing independent judgment to the Board	September 23, 2024	September 23, 2024
Dr. CHAN Tin Wai David (陳天衛).	59	Independent non-executive Director	Supervising and providing independent judgment to the Board	September 23, 2024	September 23, 2024
Mr. SHI Zhoufeng (施周峰).	41	Independent non-executive Director	Supervising and providing independent judgment to the Board	September 23, 2024	September 23, 2024

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 (吕伊俐), aged 37, 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 (夏宸灝), 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 in July 1999.

Mr. Shi Zhoufeng

Mr. Shi Zhoufeng (施周峰), aged 41, is our independent non-executive Director. He is responsible for supervising and providing independent judgment to the Board.

Mr. Shi has over 15 years of experience in financial management, auditing and corporate secretarial matters. He possesses appropriate accounting and related financial management expertise pursuant to Rule 3.10(2) of the Listing Rules. From October 2008 to May 2015, Mr. Shi served as project manager and project director of Huapu Tianjian Certified Public Accountants LLP (華普天健會計師事務所(特殊普通合伙)) (now known as RSM China Certified Public Accountants LLP (容誠會計師事務所(特殊普通合伙)), where he was engaged in the auditing work. From June 2015 to October 2019, Mr. Shi served as senior project manager of the investment bank department of Guoyuan Securities Co., Ltd (國元證券股份有限公司), where he was engaged in initial public offering projects. From November 2019 to March 2021, Mr. Shi served as person in charge of finance of Union Semiconductor (Hefei) Limited Company* (合肥新匯成微電子有限公司) (now known as Union Semiconductor (Hefei) Co., Ltd (合肥新匯成微電子股份有限公司), a company listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange (stock code: 688403) ("**Union Semiconductor**")). From March 2021 to November 2022, he served as the board secretary and chief financial officer of Union Semiconductor, where he was responsible for financial management and establishment of internal control system of the company. From December 2022 to July 2023 and since February 2024 and until September 2024, Mr. Shi has served as the chief financial officer of Innosilicon Holding Group Co. Ltd* (武漢芯動控股集團有限公司), a company principally engaged in semiconductor IP licensing and chip customization services.

Mr. Shi received his bachelor's degree in management (majoring in accounting) from Henan Polytechnic University (河南理工大學) in July 2006. He obtained the certificate of certified public accountant from the Anhui Institute of Certified Public Accountants (安徽省註冊會計師協會) in March 2014 and the Anhui Professional and Technical Qualification Certificate (Senior Accountant) from the Department of Human Resources and Social Security of Anhui Province (安徽省人力資源和社會保障廳) in December 2021. Mr. Shi obtained the qualification for serving as the secretary to the board of directors from the Shanghai Stock Exchange in August 2022.

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 prospectus. 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 competes 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 above, 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 the appointment 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)	31	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 (2) 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 31, 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 September 2024. 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. Shi Zhoufeng. Mr. Shi Zhoufeng, 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. Shi Zhoufeng. 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 Listing 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 Listing, 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 and the three months ended March 31, 2023 and 2024 was approximately RMB74,000, RMB209,000, RMB351,000, RMB66,000 and RMB278,000, 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 and the three months ended March 31, 2023, the five highest paid individuals of our Group did not include any Directors, while for the three months ended March 31, 2024, the five highest paid individuals of our Group included one director. For the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024, the aggregate amount of fees, salaries, allowances, discretionary bonus, pension scheme contributions paid and benefits in kind granted to the five, five, five, five and four highest paid individuals who are not our Directors were approximately RMB2.4 million, RMB3 million and RMB4.6 million, RMB0.4 million and RMB0.8 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 Accountant's 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 Listing, 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.

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 proceeds of the Listing in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; 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 Listing Date 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 Listing.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe at the Offer Price for a certain number of Offer Shares (rounded down to the nearest whole board lot of 500 Shares) that may be purchased for an aggregate amount of approximately HK$313.18 million (calculated based on the conversion rate of Hong Kong dollars into U.S. dollars being HK$7.8295) (the "**Cornerstone Placing**").

Assuming an Offer Price of HK$5.72, being the low-end of the Offer Price Range, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 54,751,000 Offer Shares, representing approximately 42.16% of the Shares offered pursuant to the Global Offering (assuming that the Over-allotment Option is not exercised), approximately 36.66% of the Shares offered pursuant to the Global Offering (assuming that the Over-allotment Option is exercised in full), approximately 10.22% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), or approximately 9.86% of our total issued share capital immediately upon completion of the Global Offering and the full exercise of the Over-allotment Option.

Assuming an Offer Price of HK$5.75, being the mid-point of the Offer Price Range, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 54,466,000 Offer Shares, representing approximately 41.94% of the Shares offered pursuant to the Global Offering (assuming that the Over-allotment Option is not exercised), approximately 36.47% of the Shares offered pursuant to the Global Offering (assuming that the Over-allotment Option is exercised in full), approximately 10.17% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), or approximately 9.81% of our total issued share capital immediately upon completion of the Global Offering and the full exercise of the Over-allotment Option.

Assuming an Offer Price of HK$5.78, being the high-end of the indicative Offer Price Range, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 54,183,000 Offer Shares, representing approximately 41.72% of the Shares offered pursuant to the Global Offering (assuming that the Over-allotment Option is not exercised), approximately 36.28% of the Shares offered pursuant to the Global Offering (assuming that the Over-allotment Option is exercised in full), approximately 10.12% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), or approximately 9.76% of our total issued share capital immediately upon completion of the Global Offering and the full exercise of the Over-allotment Option.

Our Company is of the view that the Cornerstone Placing provides an impression of commitment, confidence and interests of the Cornerstone Investors in the business and prospect of the Group and helps to raise the profile of our Company, and the Cornerstone Placing ensures a reasonable size of solid commitment at the beginning of the marketing period and provides confidence to the market.

To the best knowledge of our Company, each of the Cornerstone Investors is (i) not accustomed to take instructions from our Company or any of our Directors, chief executive of our Company, substantial Shareholders or existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in their name or otherwise held by them; (ii) not financed by our Company or any of our Directors, chief executive of our Company, substantial Shareholders, existing Shareholders or any of its subsidiaries or their respective close associates; and (iii) independent of the other Cornerstone Investors, our Group, our connected persons and their respective associates, and is not an existing Shareholder or a close associate of our Group. In addition, to the best knowledge of our Company, each of the Cornerstone Investors is independent from each other and makes independent investment decisions. As confirmed by each of the Cornerstone Investors, it will be utilizing either (a) its proprietary funding or (b) the proprietary funding of the funds under its management, as appropriate, as its source of funding for the subscription of the Offer Shares and that it has sufficient funds to settle its investments under the Cornerstone Placing. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing and that no specific approval from any stock exchange (if relevant) or its shareholders or other regulatory authority is required for the relevant cornerstone investment as each of them has general authority to invest.

The Cornerstone Placing will form part of the International Offering and the Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respect with the fully paid Shares in issue and will count towards the public float of our Company under Rule 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will become a substantial shareholder (as defined in the Listing Rules) of our Company, and the Cornerstone Investors will not have any Board representation in our Company. Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders. There are no side arrangements and agreements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Listing, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price. All of the Cornerstone Investors have agreed that they shall fully pay for the relevant Offer Shares no later than one day prior to the Listing Date. There will be no delayed delivery of the Offer Shares and no deferred settlement of payment of the investment amounts for all of the Cornerstone Investors under the Cornerstone Investment Agreements.

The total number of Offer Shares to be subscribed by the Cornerstone Investors may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the paragraph headed "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation" in this prospectus. Each of the Cornerstone Investors has agreed that, in the event that the requirement pursuant to Rule 8.08(3) of the Listing Rules, which provides that no more than 50% of our Shares in public hands on the Listing Date can be beneficially owned by the three largest public Shareholders, cannot be satisfied, our Company and the Overall Coordinators have the right to adjust the allocation of the number of Offer Shares to be purchased by the Cornerstone Investors in their sole and absolute discretion to satisfy the requirement under Rule 8.08(3) of the Listing Rules.

Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement of our Company to be published on or around September 30, 2024.

OUR CORNERSTONE INVESTORS

Set out below in the aggregate number of Offer Shares, and the corresponding percentages to the Offer Shares and our Company's total issued share capital under the Cornerstone Placing:

Cornerstone Investor	Investment Amount *(US$)*	Hong Kong dollar equivalent *(HK$)*	Indicative Offer Price *(HK$)*	Number of Shares to be subscribed for	Approximate percentage of the International Offer Shares (assuming that Over-allotment Option is not exercised)	Approximate percentage of the International Offer Shares (assuming that Over-allotment Option is exercised in full)	Approximate percentage of the Offer Shares (assuming that Over-allotment Option is not exercised)	Approximate percentage of the Offer Shares (assuming that Over-allotment Option is exercised in full)	Approximate percentages of the Shares in issue immediately following completion of the Global Offering (assuming that Over-allotment Option is not exercised)	Approximate percentages of the Shares in issue immediately following completion of the Global Offering (assuming that Over-allotment Option is exercised in full)
MPC VII Pte. Ltd.	20,000,000	156,590,000	5.72	27,375,500	23.42%	20.08%	21.08%	18.33%	5.11%	4.93%
			5.75	27,233,000	23.30%	19.97%	20.97%	18.24%	5.09%	4.91%
			5.78	27,091,500	23.18%	19.87%	20.86%	18.14%	5.06%	4.88%
YSC Go (BVI) Limited. . . .	20,000,000	156,590,000	5.72	27,375,500	23.42%	20.08%	21.08%	18.33%	5.11%	4.93%
			5.75	27,233,000	23.30%	19.97%	20.97%	18.24%	5.09%	4.91%
			5.78	27,091,500	23.18%	19.87%	20.86%	18.14%	5.06%	4.88%
Total	**40,000,000**	**313,180,000**	**5.72**	**54,751,000**	**46.84%**	**40.15%**	**42.16%**	**36.66%**	**10.22%**	**9.86%**
			5.75	**54,466,000**	**46.60%**	**39.94%**	**41.94%**	**36.47%**	**10.17%**	**9.81%**
			5.78	**54,183,000**	**46.36%**	**39.74%**	**41.72%**	**36.28%**	**10.12%**	**9.76%**

Notes:

1. The number of Shares to be subscribed by each Cornerstone Investor is calculated based on the relevant investment amount in Hong Kong dollars (calculated at the exchange rate as quoted in the section headed "Information about this prospectus and the Global Offering — Exchange Rate" with respect to investment amounts in currencies other than Hong Kong dollars) and the Offer Price, rounded down to the nearest whole board lot of 500 Shares; provided that if there are differences between the exchange rate set out in the section headed "Information about this prospectus and the Global Offering — Exchange Rate" in this prospectus and the exchange rate on the actual date of payment, the Overall Coordinators and our Company shall have the sole and absolute discretion to adjust the number of Shares to be subscribed by the Cornerstone Investors based on the actual amount of Hong Kong dollars received.

2. For investment amounts in currencies other than Hong Kong dollars, such amounts were calculated based on the exchange rate set out in the section headed "Information about this prospectus and the Global Offering - Exchange Rate" in this prospectus.

The following information about the Cornerstone Investors was provided to our Company by the Cornerstone Investors in relation to the Cornerstone Placing.

MPC VII Pte. Ltd.

MPC VII Pte. Ltd. ("**MPC VII**") is a limited company incorporated and domiciled in Singapore, which is owned as to 93.97% and 6.03% by MPC VII L.P. and MPC VII-A L.P., respectively. The general partner of both MPC VII L.P. and MPC VII-A L.P., each an exempted limited partnership incorporated under the laws of the Cayman Islands, is MPC Management VII L.P.. The general partner of MPC Management VII L.P. is MPC GPGP VII Ltd. David Su is the controlling shareholder of MPC GPGP VII Ltd.. No single limited partner holds 30% or more interests in MP VII L.P. or in MPC VII-A L.P.. To the best knowledge of MPC VII and our Company, David Su is an Independent Third Party. MPC VII became acquainted with our Company after learning of the Proposed Listing from public sources. MPC VII expects to fund the consideration for its Cornerstone Placing with its internal resources.

YSC Go (BVI) Limited

YSC Go (BVI) Limited ("**YSC Go**") is a company incorporated in the British Virgin Islands, which is wholly owned by Genesis Capital III LP, whose general partner is Genesis Capital III Ltd. Genesis Capital III Ltd is wholly-owned by Yuan Capital III Ltd, which is wholly-owned by Mr. Zhijian Peng. To the knowledge of YSC Go and our Company, each of Genesis Capital III Ltd, Yuan Capital III Ltd and Mr. Zhijian Peng is an Independent Third Party. The ultimate beneficial owner of Genesis Capital III LP holding 30% or more of its interest is a global institutional investor and not an individual shareholder and, to the knowledge of YSC Go and our Company, is an Independent Third Party. Other than the aforesaid limited partner holdings 30% or more of its interest, no other limited partners holds more than 30% of the partnership interest of Genesis Capital III LP. YSC Go became acquainted with our Company through introduction by CMB International Capital Limited. YSC Go expects to fund the consideration for its Cornerstone Placing with its internal resources.

CLOSING CONDITIONS

The obligation of each Cornerstone Investor to subscribe for the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(i) the Underwriting Agreements being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the Underwriting Agreements having been terminated;

(ii) the Offer Price having been agreed upon between our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters);

(iii) the Listing Committee having granted the approval for the listing of, and permission to deal in, the Shares (including the Offer Shares under the Cornerstone Placing as well as other applicable waivers and approvals) and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(iv) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreements and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(v) the respective agreements, representations, warranties, undertakings, confirmations and acknowledgements of the relevant Cornerstone Investor under the Cornerstone Investment Agreement are (as of the date of the relevant Cornerstone Investment Agreement) and will be (as of the Listing Date) accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months starting from and including the Listing Date (the "**Lock-up Period**"), (a) dispose of, in any way, any of the Offer Shares purchased pursuant to the relevant Cornerstone Investment Agreement ("**Relevant Shares**") or any interest in any company or entity holding any of the Relevant Shares including any securities convertible into or exchangeable or exercisable for or that represent the right to receive any of the foregoing securities, (b) allow itself to undergo a change of control (as defined in the Takeovers Code) at the level of its ultimate beneficial owner, (c) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transactions or (d) agree or contract to, or publicly announce any intention to, enter into any such transaction described in (a), (b) or (c) above.

During the Lock-up Period, each of the Cornerstone Investors may transfer the relevant Offer Shares to a wholly-owned subsidiary of the relevant Cornerstone Investor, provided that prior to such transfer, among others, such wholly-owned subsidiary undertakes in writing, and the relevant Cornerstone Investor undertakes to procure, that such wholly-owned subsidiary will be bound by the relevant Cornerstone Investor's obligations prescribed under the relevant Cornerstone Investment Agreement and subject to the obligations and restrictions imposed on the relevant Cornerstone Investor.

You should read the following discussion and analysis in conjunction with the consolidated financial statements, including the notes thereto, included in the Accountant's Report in Appendix I to this prospectus and the selected historical financial information presented elsewhere in this prospectus. 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 prospectus. In addition, certain industry issues also affect our financial condition and results of operations, as described in "Industry Overview".

OVERVIEW

We are a global 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 notable 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 48 self-operated online stores across 19 online marketplaces in 19 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. For the three months ended March 31, 2024, our revenue amounted to RMB502.9 million, increasing by 72.3% from RMB291.8 million in the corresponding period in 2023. Additionally, our net profit grew by 58.4% to RMB88.5 million in the three months ended March 31, 2024, up from RMB55.9 million in the same period of 2023.

RECENT DEVELOPMENTS

Since the end of the Track Record Period, we have continued our business development efforts through establishing cooperation with additional online marketplaces. For instance, we began selling on Target and Macy's, both U.S.-based online marketplaces, in April 2024 and June 2024, respectively.

Our business continued to expand after March 31, 2024. In particular, we experienced rapid sales growth in the United States compared to the same period of 2023, primarily driven by increased customer demand and our enhanced brand recognition. We also continued developing new products and launched over 320 new SKUs in April and May 2024.

On March 4, 2024, we declared a dividend to our then shareholders of RMB100.0 million. Subsequently, on April 19, 2024, we paid US$10.0 million of the aforementioned dividend, and the remaining amount was paid by May 17, 2024.

Property Purchase Plan

We plan to purchase a suitable office premises in Hangzhou to accommodate our expanding business needs and reduce rental costs after the completion of the Global Offering. The estimated cost of such a purchase is around RMB65 million to RMB70 million, based on the market prices for office properties in the proximity and our need for gross floor area. This is subject to further procedures and actions, including board and/or shareholder approval (if required), compliance with applicable requirements under the Listing Rules, market research, financing arrangements, and negotiations with potential vendors. As of the date of this prospectus, we have not identified any target property nor entered into any agreements for such purchase. We aim to complete the purchase within 12 months after the completion of the Global Offering and will finance it through our internal sources, other than the proceeds from the Global Offering.

Our Directors confirm that, as of the date of this prospectus, there has been no material adverse change in our financial and trading positions or prospects since March 31, 2024, being the end date of the periods reported on in the Accountant's Report included in Appendix I to this prospectus.

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 Accountant's Report included in Appendix I to this prospectus.

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 notable 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 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 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, RMB1,362.5 million, RMB240.3 million, and RMB435.7 million in 2021, 2022, 2023, and for the three months ended March 31, 2023 and 2024, respectively, accounting for 37.2%, 65.5%, 86.1%, 82.4%, and 86.6% of our total revenue for the same period, 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%, 60.5%, 59.2%, and 61.9% of our total revenue in 2021, 2022, and 2023 and for the three months ended March 31, 2023 and 2024, 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, RMB1,237.7 million, RMB220.7 million, and RMB397.4 million in 2021, 2022, and 2023 and for the three months ended March 31, 2023 and 2024, respectively, accounting for 86.4%, 83.8%, 89.7%, 89.5%, and 88.3% of our total revenue from branded business for the same period, 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$27.8 billion in 2019 to US$30.9 billion in 2023. 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$36.3 billion in 2028, 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 and for the three months ended March 31, 2023 and 2024, our cost of inventories amounted to RMB463.7 million, RMB392.8 million, RMB741.9 million, RMB134.3 million, and RMB200.9 million, respectively, accounting for 84.5%, 79.7%, 72.9%, 74.1%, and 68.5% of our total cost of sales for the same period, 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, RMB1,255.6 million, RMB212.9 million, and RMB413.2 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, respectively, accounting for 74.6%, 64.0%, 79.3%, 73.0%, and 82.2% of our total revenue for the same period, respectively. For details, see "— Principal Components of our Consolidated Statements of Comprehensive Profit — Revenue — Revenue from Branded Business — 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 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" and "Risk Factors — Risks Relating 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, net foreign exchange gains of RMB15.2 million in 2023, net foreign exchange gains of RMB2.0 million for the three months ended March 31, 2023, and net foreign exchange gains of RMB4.8 million for the three months ended March 31, 2024. 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 Period, 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, and for the three months ended March 31, 2024 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, and for the three months ended March 31, 2024. 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%, 15.0%, and 16.2% in 2021, 2022, and 2023, and for the three months ended March 31, 2024, respectively. Our income tax expenses amounted to RMB4.4 million, RMB18.0 million, RMB41.8 million, and RMB17.1 million for the same period, 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.

MATERIAL ACCOUNTING POLICY INFORMATION 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 material accounting policy information, 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 Accountant's Report in Appendix I to this prospectus.

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 profit or 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.

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 periods 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,			Three months ended March 31,	
	2021	**2022**	**2023**	**2023**	**2024**
			(RMB in millions)		
				(unaudited)	
Revenue	**675.3**	**768.5**	**1,583.1**	**291.8**	**502.9**
Cost of sales	(548.8)	(493.2)	(1,018.0)	(181.1)	(293.5)
Gross profit	**126.5**	**275.3**	**565.1**	**110.7**	**209.4**
Selling expenses	(56.7)	(108.8)	(245.4)	(37.2)	(84.7)
Administrative expenses	(20.3)	(20.7)	(31.6)	(5.7)	(16.2)
Research and development expenses	(18.1)	(20.8)	(35.9)	(6.6)	(9.7)
Net (impairment losses)/reversal of impairment on financial assets	(0.1)	(0.1)	0.3	0.1	—
Other income	0.5	1.6	3.2	—	0.9
Other gains/(losses), net	0.9	(2.4)	15.5	2.0	5.2
Operating profit	**32.7**	**124.1**	**271.2**	**63.3**	**104.9**
Finance income	4.9	5.5	7.4	1.2	0.8
Finance costs	(1.6)	(3.1)	(0.3)	0.1	(0.1)
Finance income, net	3.3	2.4	7.1	1.3	0.7
Profit before income tax	**36.0**	**126.5**	**278.3**	**64.6**	**105.6**
Income tax expenses	(4.3)	(18.0)	(41.8)	(8.7)	(17.1)
Profit for the year/period	**31.7**	**108.5**	**236.5**	**55.9**	**88.5**
Profit attributable to:					
Owners of the Company	31.7	108.8	237.1	55.9	88.5
Non-controlling interests	—	(0.3)	(0.6)	—	—
	31.7	**108.5**	**236.5**	**55.9**	**88.5**

NON-HKFRS MEASURES

To supplement our consolidated financial statements presented in accordance with HKFRSs, we use adjusted net profit (non-HKFRS measure) and adjusted net profit margin (non-HKFRS measure) as additional financial measures, which are not required by, or presented in accordance with HKFRSs. We believe that these non-HKFRS measures provide useful information to investors in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, presentation of these non-HKFRS measures may not be comparable to similarly titled measures presented by other companies. The use of these non-HKFRS measures has limitations as an analytical tool, and investors should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial conditions as reported under HKFRSs.

We define (i) adjusted net profit (non-HKFRS measure) as profit for the year/period adding back listing expenses incurred for the same year/period, and (ii) adjusted net profit margin (non-HKFRS measure) as adjusted net profit as a percentage of revenue for the same year/period. The adjusted net profit (non-HKFRS measure) and adjusted net profit margin (non-HKFRS measure) exclude the impact of listing expenses.

The following table sets forth a reconciliation of our adjusted net profit (non-HKFRS measure) and adjusted net profit margin (non-HKFRS measure) to the nearest measure prepared in accordance with HKFRSs for the year/period indicated:

	Year ended December 31,			Three months ended March 31,	
	2021	**2022**	**2023**	**2023**	**2024**
	(RMB in millions except for percentages)				
				(unaudited)	
Profit for the year/period	**31.7**	**108.5**	**236.5**	**55.9**	**88.5**
Add back:					
Listing expenses	**—**	**—**	**6.0**	**0.1**	**8.5**
Adjusted net profit (non-HKFRS measure)	**31.7**	**108.5**	**242.5**	**56.0**	**97.0**
Adjusted net profit margin (non-HKFRS measure)	**4.7%**	**14.1%**	**15.3%**	**19.2%**	**19.3%**

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF COMPREHENSIVE PROFIT

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 Segments

The following table sets forth a breakdown of our revenue by business segments, in absolute amounts and as a percentage of total revenue, for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	(RMB in millions except for percentages)									
							(unaudited)			
Branded business	283.3	41.9%	530.7	69.1%	1,379.9	87.2%	246.5	84.5%	450.0	89.5%
ODM business	392.0	58.1%	237.8	30.9%	203.2	12.8%	45.3	15.5%	52.9	10.5%
Total	**675.3**	**100.0%**	**768.5**	**100.0%**	**1,583.1**	**100.0%**	**291.8**	**100.0%**	**502.9**	**100.0%**

Our revenue from branded business amounted to RMB283.3 million, RMB530.7 million, RMB1,379.9 million, RMB246.5 million, and RMB450.0 million in 2021, 2022 and 2023, and for the three months ended March 31, 2023 and 2024, respectively, accounting for 41.9%, 69.1%, 87.2%, 84.5%, and 89.5% of our total revenue for the same period, 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. In 2021, 2022 and 2023, and for the three months ended March 31, 2024, we launched 520, 1,305, 1,374, and 361 SKUs of our own-branded products, respectively.

Our revenue from ODM business amounted to RMB392.0 million, RMB237.8 million, RMB203.2 million, RMB45.3 million, and RMB52.9 million in 2021, 2022 and 2023, and for the three months ended March 31, 2023 and 2024, respectively, accounting for 58.1%, 30.9%, 12.8%, 15.5%, and 10.5% of our total revenue for the same period, respectively. The overall 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, and further to approximately 0.9 million in the three months ended March 31, 2024, 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 periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
					(RMB in millions except for percentages)					
							(unaudited)			
Branded business										
Cookware	244.7	86.4%	444.6	83.8%	1,237.7	89.7%	220.7	89.5%	397.4	88.3%
Kitchen utensils	30.6	10.8%	64.9	12.2%	90.4	6.6%	20.6	8.4%	38.1	8.5%
Drinkware	0.5	0.2%	12.5	2.4%	47.4	3.4%	5.1	2.1%	12.1	2.7%
Others[(1)]	7.5	2.6%	8.7	1.6%	4.4	0.3%	0.1	0.0%	2.4	0.5%
Total	**283.3**	**100.0%**	**530.7**	**100.0%**	**1,379.9**	**100.0%**	**246.5**	**100.0%**	**450.0**	**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, RMB1,237.7 million, RMB220.7 million, and RMB397.4 million in 2021, 2022 and 2023, and for the three months ended March 31, 2023 and 2024, respectively, accounting for 86.4%, 83.8%, 89.7%, 89.5%, and 88.3% of our total revenue from branded business for the same period, respectively. This increase was primarily due to: (i) our introduction of new product series that were well received by customers, including the light-colored Cosy and Ice Cream series launched in July 2021, which met growing consumer demand for light-colored cookware, and the Eight Mile Place series introduced in 2022, distinguished by its detachable handle design, which saved storage space and minimized clean-up as the pans could double as serving platters after removing the handle; and (ii) our expansion of our online sales channels, including the addition of various Amazon stores in Western Europe and Walmart in 2022.

Our revenue from sales of kitchen utensils amounted to RMB30.6 million, RMB64.9 million, RMB90.4 million, RMB20.6 million, and RMB38.1 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, respectively, accounting for 10.8%, 12.2%, 6.6%, 8.4%, and 8.5% of our total revenue from branded business for the same period, 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 that paired well together in terms of function, such as non-stick skillets and silicone spatulas. As cookware sets were among our most popular products due to their high value for price, the increase in the sales of our cookware sets led to a corresponding increase in our sales of kitchen utensils; 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, RMB47.4 million, RMB5.1 million, and RMB12.1 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, respectively, accounting for 0.2%, 2.4%, 3.4%, 2.1%, and 2.7% of our total revenue from branded business for the same period, 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, such as our classic and cartoon-designed coffee travel mugs and insulated cups, which saw an immediate spike in sales after their introduction due to their aesthetic designs that appealed to a wide range of consumer tastes, high value for price, and the rising popularity of reusable cups; and (iii) our enhanced supply chain and marketing operations for drinkware since 2022, which enabled us to quickly respond to shifts in consumer preferences and market trends, for example launching our aforementioned coffee travel mugs in 2022 in response to increased environmental awareness among consumers and sustainability initiatives launched by various coffeehouses that encouraged customers to bring their own reusable cups, following the Chinese government's intensified efforts to control plastic pollution in late 2021.

Our revenue from sales of other products amounted to RMB7.5 million, RMB8.7 million, RMB4.4 million, RMB0.1 million, and RMB2.4 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, respectively, accounting for 2.6%, 1.6%, 0.3%, 0.0%, and 0.5% of our total revenue from branded business for the same period, 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 periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	(RMB in millions except for percentages)									
							(unaudited)			
Branded business										
Amazon	63.7	22.5%	162.2	30.6%	673.2	48.8%	108.8	44.1%	235.0	52.2%
Walmart	—	—	9.6	1.8%	245.1	17.8%	25.7	10.4%	77.2	17.2%
Tmall.	121.4	42.9%	207.2	39.1%	285.4	20.7%	63.9	25.9%	76.4	17.0%
Shopee	9.3	3.3%	18.7	3.5%	41.6	3.0%	8.4	3.4%	10.1	2.2%
Douyin	2.0	0.7%	15.9	3.0%	18.8	1.4%	5.7	2.3%	4.9	1.1%
Lazada	34.5	12.2%	27.2	5.1%	33.2	2.4%	9.2	3.7%	4.0	0.9%
JD.com	29.1	10.3%	37.8	7.1%	18.4	1.3%	9.0	3.6%	1.7	0.4%
Others	23.3	8.1%	52.1	9.8%	64.2	4.6%	15.8	6.6%	40.7	9.0%
Total	**283.3**	**100.0%**	**530.7**	**100.0%**	**1,379.9**	**100.0%**	**246.5**	**100.0%**	**450.0**	**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%, 91.7%, 86.2%, and 89.7% of our total revenue from branded business in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, respectively.

Our revenue from sales on Amazon amounted to RMB63.7 million, RMB162.2 million, RMB673.2 million, RMB108.8 million, and RMB235.0 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, respectively, accounting for 22.5%, 30.6%, 48.8%, 44.1%, and 52.2% of our total revenue from branded business for the same period, respectively. This increase was primarily due to: (i) our opening of Amazon stores in various Western European countries, such as France, Italy, Spain, and the United Kingdom; (ii) our sales strategy of selling our products as cookware sets instead of single items as such cookware sets appealed to consumers for their high value for price and encouraged larger single purchases. Our revenue from sales of cookware sets on Amazon amounted to RMB13.5 million, RMB80.7 million, RMB529.8 million, RMB77.8 million, and RMB193.4 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, respectively, accounting for 21.3%, 49.8%, 78.7%, 71.5%, and 82.3% of our total revenue from Amazon for the same period, respectively; and (iii) our development and introduction of region-specific products that appealed to the taste of local consumers on Amazon stores for different geographical locations, such as large cookware sets containing 10 or more items for U.S. and Western European customers, who tend to favor large sets containing a variety of cookware designed for specific tasks and generally had more storage space in their homes to accommodate large sets. Our revenue generated from the sales of cookware sets containing 10 or more items on Amazon in the United States and Western Europe amounted to RMB9.5 million, RMB99.2 million, RMB491.1 million, RMB73.2 million, and RMB162.4 million in 2021, 2022, 2023, and for the three months ended March 31, 2023 and 2024, respectively, accounting for 14.8%, 61.2%, 73.0%, 67.2%, and 69.1% of our total revenue from Amazon for the same period, respectively.

Our revenue from sales on Tmall amounted to RMB121.4 million, RMB207.2 million, RMB285.4 million, RMB63.9 million, and RMB76.4 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, respectively, accounting for 42.9%, 39.1%, 20.7%, 25.9%, and 17.0% of our total revenue from branded business for the same period, 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 as our business expanded. Examples of our most popular products on Tmall included cookware that catered to the cooking preferences and new consumer trends of Chinese customers, such as (i) frying pans and woks from our Cosy series and Ice Cream series, whose light-colored designs appealed to the increased aesthetical preference for light-colored cookware among consumers, (ii) sauté pans from our granite-colored Essential Woody series, which appealed to the increased consumer preference for cookware that appeared to be fashioned out of natural materials, and (iii) enameled cast iron casserole pans, which have gained popularity in the Chinese market due to their effectiveness in moisture retention during slow cooking processes such as red braising and stewing, both of which are common Chinese home-cooking methods. For kitchen utensils, our most popular products included various silicon spatulas, which paired well with our non-stick and enameled cast iron cookware products and encouraged add-on purchases from customers and purchases of cookware sets that paired non-stick cookware and silicon spatulas. For drinkware, our most popular products on Tmall included our coffee travel mugs and classic- and cartoon-design insulated cups, which appealed to the increased popularity of reusable cups due to increased environmental awareness among consumers as the Chinese government pushed for plastic reduction.

Our revenue from sales on Walmart's online platform amounted to nil, RMB9.6 million, RMB245.1 million, RMB25.7 million, and RMB69.6 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, respectively, accounting for nil, 1.8%, 17.8%, 10.4%, and 15.5% of our total revenue from branded business for the same period, 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. consumers, mainly our cookware sets, which were well received by U.S. customers who generally favored cookware designed for specific cooking tasks and had more storage space in their households to accommodate large sets of pots and pans. Our revenue generated from the sales of cookware sets on Walmart amounted to RMB9.5 million, RMB244.1 million, RMB25.7 million, and RMB69.1 million in 2022 and 2023, and for the three months ended March 31, 2023 and 2024, respectively, accounting for 98.5%, 99.6%, 100.0%, and 89.4% of our total revenue from Walmart for the same period, respectively.

Our revenue from sales on Shopee amounted to RMB9.3 million, RMB18.7 million, RMB41.6 million, RMB8.4 million, and RMB10.1 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, respectively, accounting for 3.3%, 3.5%, 3.0%, 3.4%, and 2.2% of our total revenue from branded business for the same period, 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, RMB18.8 million, RMB5.7 million, and RMB4.9 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, respectively, accounting for 0.7%, 3.0%, 1.4%, 2.3%, and 1.1% of our total revenue from branded business for the same period, respectively. The significant increase was primarily due to: (i) our collaboration with Douyin influencers to promote our products; (ii) our establishment of a marketing operations team to run our Douyin store in 2022; and (iii) our strategic focus on the sale of small-value, single-item products with a high value for money and distinguishing features, such as our Cosy series four-cup egg pans, Ice Cream series breakfast pans, and knives with colorful printed designs, which aligned with the purchasing preferences of Douyin users and could easily attract users' interest as they scrolled through short videos and livestreams. We have entered into partnership agreements with certain multi-channel networks companies for our use of their influencers' promotional services, such as You Dian Dong Xi (有點東西), and collaborated with influencers such as East Buy (東方甄選) and Be Friends (交個朋友), both of which had millions of followers on Douyin during the Track Record Period. In 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, our revenue from sales through promotion by Douyin influencers amounted to RMB1.5 million, RMB13.2 million, RMB13.0 million, RMB4.2 million, and RMB2.9 million, respectively. The decrease in our revenue from sales through promotion by Douyin influencers in the first quarter of 2024 compared to the same period in 2023 was primarily due to our strategical shift of resources to Tmall, as we currently plan to focus on expanding our presence on the latter. The commission rates we paid to Douyin influencers ranged from 1% to 30% of the revenue generated from their promotion and was determined based on product type and the sales volume achieved by the influencer. The commissions were directly deducted by the Douyin platform prior to the transfer of the sales proceeds to our account.

Our revenue from sales on other platforms, which primarily comprised other platforms that had relatively large user bases in the geographic markets where we operated, amounted to RMB23.3 million, RMB52.1 million, RMB64.2 million, RMB15.8 million, and RMB40.7 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, respectively, accounting for 8.1%, 9.8%, 4.6%, 6.6%, and 9.0% of our total revenue from branded business for the same period, 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, RMB18.4 million, RMB9.0 million, and RMB1.7 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, respectively, accounting for 10.3%, 7.1%, 1.3%, 3.6%, and 0.4% of our total revenue from branded business for the same period, respectively. The decrease was due to our shift in focus to other platforms with lower commission rates for our DTC sales.

By Geographical Location

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

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	(RMB in millions except for percentages)									
							(unaudited)			
Branded business										
Mainland China	163.4	57.7%	273.5	51.5%	322.7	23.4%	78.6	31.9%	83.1	18.5%
United States	46.6	16.5%	122.2	23.0%	740.1	53.6%	100.3	40.7%	269.8	60.0%
Western Europe	5.8	2.0%	14.9	2.8%	96.8	7.0%	13.9	5.6%	34.1	7.6%
Japan	6.0	2.1%	35.2	6.6%	82.8	6.0%	22.1	9.0%	28.5	6.3%
Southeast Asia	47.0	16.6%	47.8	9.0%	76.5	5.5%	18.1	7.3%	15.4	3.4%
Others	14.5	5.1%	37.1	7.1%	61.0	4.5%	13.5	5.5%	19.1	4.2%
Total	**283.3**	**100.0%**	**530.7**	**100.0%**	**1,379.9**	**100.0%**	**246.5**	**100.0%**	**450.0**	**100.0%**

Note:

* For online retail, geographic markets are identified by the country or region of the platform where the sales took place.

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, RMB322.7 million, RMB78.6 million, and RMB83.1 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, respectively, accounting for 57.7%, 51.5%, 23.4%, 31.9%, and 18.5% of our total revenue from branded business for the same period, 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: (i) our offering of classic series that remained well-received by consumers throughout the years, such as our light-colored Cosy series and Ice Cream series, which appealed to the increased consumer preference for light-colored cookware and remained among our most popular product series after their introduction in 2021; and (ii) our quick development and introduction of new products, such as coffee travel mugs and insulated cups made from environmentally friendly materials in response to increased environmental awareness among consumers and the surge in popularity of reusable cups.

Our revenue from the United States amounted to RMB46.6 million, RMB122.2 million, RMB740.1 million, RMB100.3 million, and RMB269.8 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, respectively, accounting for 16.5%, 23.0%, 53.6%, 40.7%, and 60.0% of our total revenue from branded business for the same period, 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 in 2022, which enabled us to quickly adapt our product offerings in response to the local market trends and customer demand, for example offering cookware sets in new colors within three months after receiving emails from customers requesting such color updates, and (b) our strategy of selling cookware in sets instead of as single items, in particular large sets containing 10 or more items of different functions, as U.S. customers tended to prefer cookware designed for specific cooking tasks and had more kitchen space to accommodate large sets; and (ii) an increase in our sales on Walmart's online platform starting from the first half of 2022, where the majority of our revenue was also contributed by the sales of cookware sets. Our revenue derived from cookware sets in the United States amounted to RMB17.5 million, RMB87.3 million, RMB671.4 million, RMB87.1 million, and RMB241.8 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, respectively, accounting for 37.6%, 71.4%, 90.7%, 86.8%, and 89.6% of our total revenue from the United States for the same period, respectively.

Our revenue from Western Europe amounted to RMB5.8 million, RMB14.9 million, RMB96.8 million, RMB13.9 million, and RMB34.1 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, respectively, accounting for 2.0%, 2.8%, 7.0%, 5.6%, and 7.6% of our total revenue from branded business for the same period, 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, mainly because the establishment of our Western Europe-focused marketing operations and supply chain management team in 2022 enabled us to quickly identify and introduce products that appealed to local consumer preferences, which were similar to those of U.S. consumers, by leveraging our experience and insights gained during our expansion in the United States. In particular, our large cookware sets from our classic product series, such as Essential Woody and Ice Cream, experienced significant growth on Amazon UK and Amazon Germany. Our revenue derived from cookware sets in Western Europe amounted to RMB0.3 million, RMB4.4 million, RMB75.2 million, RMB9.5 million, and RMB26.7 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, respectively, accounting for 4.6%, 29.7%, 77.7%, 68.3%, and 78.3% of our total revenue from Western Europe for the same period, respectively.

Our revenue from Japan amounted to RMB6.0 million, RMB35.2 million, RMB82.8 million, RMB22.1 million, and RMB28.5 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, respectively, accounting for 2.1%, 6.6%, 6.0%, 9.0%, and 6.3% of our total revenue from branded business for the same period, respectively. The increase in our revenue from Japan was primarily due to: (i) an increase in the sales of our cookware sets, mainly attributable to their high value-for-price. Our revenue generated from the sales of cookware sets in Japan amounted to RMB0.1 million, RMB14.0 million, RMB42.1 million, RMB10.5 million, and RMB18.2 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, respectively, accounting for 2.0%, 39.7%, 50.8%, 47.5%, and 63.9% of our total revenue from Japan for the same period, respectively; and (ii) an increase in the sales of our region-specific products targeted at Japanese consumers, such as our pans with detachable handles, which appealed to the space-saving needs of Japanese homes, and tamagoyaki pans.

Our revenue from Southeast Asia amounted to RMB47.0 million, RMB47.8 million, RMB76.5 million, RMB18.1 million, and RMB15.4 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, respectively, accounting for 16.6%, 9.0%, 5.5%, 7.3%, and 3.4% of our total revenue from branded business for the same period, respectively. The increase in our revenue from Southeast Asia from 2021 to 2023 was primarily due to: (i) an increase in the sales of our cookware sets, in particular those containing three to four items; and (ii) our collaboration with mainstream local e-commerce platforms, in particular Shopee and Lazada. Our revenue from Southeast Asia decreased by 14.8% from RMB18.1 million for the three months ended March 31, 2023 to RMB15.4 million, primarily due to our focus of resources on continuing to expand our rapidly growing U.S. market.

Our revenue from other countries amounted to RMB14.5 million, RMB37.1 million, RMB61.0 million, RMB13.5 million, and RMB19.1 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, respectively, accounting for 5.1%, 7.1% and 4.5%, 5.5%, and 4.2% of our total revenue from branded business for the same period, respectively. The increase in our revenue from other countries was primarily due to increases in our sales from India and Canada, mainly attributable to: (i) our collaboration with Amazon India and Amazon Canada, both of which were popular local e-commerce platforms; and (ii) our offering of products that catered to local consumer preferences, such as roti pans and biryani pans for Indian consumers, and large cookware sets for 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, RMB1,018.0 million, RMB181.1 million, and RMB293.5 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, 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%, 72.9%, 74.1%, and 68.5% of our cost of sales in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, 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; and (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 and tariffs imposed on our products sold to overseas markets.

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 periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	(RMB in millions except for percentages)									
							(unaudited)			
Cost of inventories sold	376.2	68.5%	379.6	77.0%	741.9	72.9%	134.3	74.1%	200.9	68.5%
Freight and storage expenses	68.7	12.5%	93.7	19.0%	268.5	26.4%	43.5	24.0%	90.3	30.8%
Employee benefit expenses	11.7	2.1%	6.0	1.2%	6.5	0.6%	2.7	1.5%	0.4	0.1%
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%	0.6	0.4%	1.9	0.6%
Total	**548.8**	**100.0%**	**493.2**	**100.0%**	**1,018.0**	**100.0%**	**181.1**	**100.0%**	**293.5**	**100.0%**

Cost of Sales by Business Segments

The following table sets forth a breakdown of our cost of sales by business segments, in absolute amounts and as a percentage of total cost of sales, for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	(RMB in millions except for percentages)									
							(unaudited)			
Branded business	176.8	32.2%	287.0	58.2%	838.8	82.4%	141.3	78.0%	246.9	84.1%
ODM business	372.0	67.8%	206.2	41.8%	179.2	17.6%	39.8	22.0%	46.6	15.9%
Total	**548.8**	**100.0%**	**493.2**	**100.0%**	**1,018.0**	**100.0%**	**181.1**	**100.0%**	**293.5**	**100.0%**

During the Track Record Period, our cost of sales for branded business amounted to RMB176.8 million, RMB287.0 million, RMB838.8 million, RMB141.3 million, and RMB246.9 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, respectively, accounting for 32.2%, 58.2%, 82.4%, 78.0%, and 84.1% of our total cost of sales for the same period, 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, RMB179.2 million, RMB39.8 million, and RMB46.6 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, respectively, accounting for 67.8%, 41.8%, 17.6%, 22.0%, and 15.9% of our total cost of sales for the same period, 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, RMB565.1 million, RMB110.7 million, and RMB209.4 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, respectively, while our gross profit margin was 18.7%, 35.8%, 35.7%, 37.9%, and 41.6% for the same period, respectively.

Gross Profit and Gross Profit Margin by Business Segments

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

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB in millions except for percentages)									
							(unaudited)			
Branded business	106.5	37.6%	243.7	45.9%	541.1	39.2%	105.2	42.7%	203.2	45.1%
ODM business	20.0	5.1%	31.6	13.3%	24.0	11.8%	5.5	12.0%	6.2	11.8%
Total	**126.5**	18.7%	**275.3**	35.8%	**565.1**	35.7%	**110.7**	37.9%	**209.4**	41.6%

During the Track Record Period, our gross profit from branded business amounted to RMB106.5 million, RMB243.7 million, RMB541.1 million, RMB105.2 million, and RMB203.2 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, 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%, 39.2%, 42.7%, and 45.1% in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, respectively. The increase in the gross profit margin of our branded business from 2021 to 2022 was primarily due to a decrease in the average cost of sales of our cookware, mainly attributable to our increased bargaining power against suppliers as our purchase volume increased. 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 and capture more market share. The gross profit margin of our branded business remained relatively stable at 42.7% and 45.1% for the three months ended March 31, 2023 and 2024, respectively.

Our gross profit from ODM business amounted to RMB20.0 million, RMB31.6 million, RMB24.0 million, RMB5.5 million, and RMB6.2 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, respectively. The gross profit margin of our ODM business was 5.1%, 13.3%, 11.8%, 12.0%, and 11.8% in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, respectively. The increases in the gross profit and gross profit margin of our ODM business from 2021 to 2022 were primarily due to: (i) a decrease in our cost of sales, mainly attributable to our increased bargaining power against suppliers as our business continued to grow. The average cost of sales of our ODM products decreased from RMB48.3 per SKU in 2021 to RMB44.3 per SKU in 2022; and (ii) 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. In particular, we offered cookware featuring updates such as a new light color scheme and more durable coating, which were priced between 3.8% to 19.2% higher than comparable old products. The average price of our ODM products increased from RMB50.9 per SKU in 2021 to RMB51.1 per SKU in 2022. The decreases in the gross profit and gross profit margin of our ODM business from 2022 to 2023 were primarily because: (i) we lowered the prices of certain products, mainly our existing cookware products, in order to maintain competitiveness. The average price of our ODM products decreased to RMB49.1 per SKU in 2023; and (ii) our bargaining power against customers decreased as we developed fewer new products due to our strategic diversion of resources away from our ODM business. The gross profit margin of our ODM business remained relatively stable at 12.0% and 11.8% for the three months ended March 31, 2023 and 2024, respectively.

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 periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB in millions except for percentages)									
							(unaudited)			
Branded business										
Cookware	92.8	37.9%	203.3	45.7%	481.0	38.9%	93.0	42.1%	178.7	45.0%
Kitchen utensils	12.2	39.7%	34.1	52.6%	42.3	46.8%	10.3	49.9%	19.5	51.2%
Drinkware	0.2	47.0%	4.8	38.5%	16.8	35.3%	1.9	38.1%	4.5	36.8%
Others[(1)]	1.3	17.8%	1.5	16.0%	1.0	23.3%	—	17.3%	0.5	21.7%
Total	**106.5**	37.6%	**243.7**	45.9%	**541.1**	39.2%	**105.2**	42.7%	**203.2**	45.1%

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, RMB481.0 million, RMB93.0 million, and RMB178.7 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, 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 a decrease in the average cost of sales of our cookware, mainly attributable to our increased bargaining power against suppliers as our purchase volume increased. Our gross profit margin from sales of cookware decreased to 38.9% in 2023, primarily due to our price reduction for certain products to attract more customers and capture more market share, particularly our cookware sets sold in the United States and Western Europe. The average selling price of our cookware sets, respectively, sold in the United States and Western Europe decreased from

RMB622.9 per SKU and RMB412.4 per SKU in 2022, respectively, to RMB570.8 per SKU and RMB319.1 per SKU in 2023, respectively. Our gross profit margin of sales of cookware increased from 42.1% for the three months ended March 31, 2023 to 45.0% for the same period in 2024, primarily because we sold more cookware products with higher gross margins. The average selling price of our cookware increased from RMB183.7 for the three months ended March 31, 2023 to RMB242.2 for the same period in 2024 despite the decreases in the average price for cookware sold as single items and sets from RMB101.6 per SKU and RMB465.1 per SKU, respectively, for the three months ended March 31, 2023 to RMB90.8 per SKU and RMB433.0 per SKU, respectively, for the same period in 2024, primarily because of a significant increase in the proportion and volume of cookware sets sold.

Our gross profit from sales of kitchen utensils amounted to RMB12.2 million, RMB34.1 million, RMB42.3 million, RMB10.3 million, and RMB19.5 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, 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: (i) our price reduction to attract more customers, maintain competitive pricing, and capture more market share, particularly in Mainland China, which contributed 88.2%, 91.2%, and 75.9% of our total revenue from kitchen utensils in 2021, 2022, and 2023, respectively. The average selling price of our kitchen utensils sold in Mainland China decreased by 14.2% from RMB16.2 per SKU in 2022 to RMB13.8 per SKU in 2023, respectively; and (ii) an increase in our average cost of sales as sales of kitchen utensils in overseas markets contributed a higher percentage of our revenue from kitchen utensils, and our products sold overseas generally incurred higher freight expenses than products sold in Mainland China. Our gross profit margin of sales of kitchen utensils increased from 49.9% for the three months ended March 31, 2023 to 51.2% for the same period in 2024, primarily due to an increase in the proportion of revenue contributed by our sales of premium products with higher gross profit margins, such as certain knife sets, particularly in the overseas markets.

Our gross profit from sales of drinkware amounted to RMB0.2 million, RMB4.8 million, RMB16.8 million, RMB1.9 million, and RMB4.5 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, 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%, 35.3%, 38.1%, and 36.8% in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, respectively. The overall 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. We define "high value-for-price products" as products of comparable quality that are offered at lower prices than our competitors. For example, we offered 316 stainless-steel portable coffee cups with a capacity of 400ml at prices ranging from RMB40.0 to RMB50.0 on Tmall, while the five top-selling brands on Tmall in 2023 offered portable coffee cups of similar material, design, and capacity at prices mainly ranging from RMB55.0 to RMB220.0, according to CIC. While our pricing strategy caused our drinkware to generally have a lower gross profit margin than our cookware and kitchen utensils since 2022, the rapid sales growth of our drinkware due to this successful pricing strategy compensates for the lower gross profit margin in terms of profit generation from drinkware. In addition, this pricing strategy has helped us to quickly expand our customer base and build brand loyalty, and we believe that such a trade-off is beneficial in the early years when we are building market share for this product category.

Our industry consultant, CIC, is of the view that young consumers generally prioritize products with high value-for-price due to economic constraints and the growing prevalence of rational consumption concepts. Since they are typically in the early stages of their careers with relatively limited incomes, young consumers tend to seek cost-effective products to alleviate financial pressure. Additionally, as the market evolves, consumer education improves, and access to information becomes easier, young consumers increasingly emphasize rational consumption, making purchasing decisions based on the actual value of products and their personal needs. The products of the Group are regarded as "high value-for-price" due to their competitive pricing compared to leading brands in the industry that provide similar functionalities. When compared to products with similar specifications, Carote's non-stick pans are priced 24.0% lower on Amazon US and 50.9% lower on Tmall than those of the other top five players in the same category, respectively, and its drinkware is approximately 65.0% lower in price than that of the top five drinkware sellers on Tmall, as of the end of 2023.

By Geographical Location

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

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB in millions except for percentages)									
							(unaudited)			
Branded business										
Mainland China	61.7	37.7%	114.0	41.7%	114.4	35.4%	29.3	37.3%	32.4	39.0%
United States	19.8	42.6%	65.3	53.4%	291.4	39.4%	45.8	45.7%	124.9	46.3%
Western Europe	2.6	44.7%	8.0	53.8%	46.0	47.5%	7.0	50.2%	17.9	52.4%
Japan	2.1	35.1%	19.9	56.4%	40.0	48.3%	11.0	49.7%	12.9	45.3%
Southeast Asia	16.6	35.3%	20.0	41.8%	27.2	35.5%	6.7	37.2%	6.2	40.3%
Others	3.7	25.8%	16.5	44.7%	22.1	36.3%	5.4	40.0%	8.9	46.4%
Total	**106.5**	**37.6%**	**243.7**	**45.9%**	**541.1**	**39.2%**	**105.2**	**42.7%**	**203.2**	**45.1%**

Note:

* For online retail, geographic markets are identified by the country or region of the platform where the sales took place.

During the Track Record Period, our branded business experienced an increase in gross profit across all our geographic markets in line with our revenue growth and business expansion, with the exception of a period-on-period decrease in our gross profit in Southeast Asia for the three months ended March 31, 2023 and 2024. Our gross profit margin for branded business across all our geographic markets increased from 2021 to 2022 and decreased in 2023. Our gross profit margin for most of our geographic markets increased for the three months ended March 31, 2024 compared to the same period in 2024, with the exception of Japan.

Our gross profit margin in Mainland China increased from 37.7% in 2021 to 41.7% in 2022, primarily due to: (i) a decrease in the average cost of sales of our cookware products, especially our top-selling Cosy series, mainly attributable to our increased bargaining power against our suppliers as a result of the increase in our purchase volume; and (ii) an increase in the proportion of revenue contributed by sales of kitchen utensils, which experienced an increase in gross profit margin from 2021 to 2022 due to our strategic discontinuation of products that had lower gross profit margin. The increase in our sales of kitchen utensils in Mainland China was mainly attributable to our offering of new products and products that complemented our cookware, for example our white wooden-handled spatulas that match the color scheme of our Cosy series cookware. Our gross profit margin in Mainland China decreased to 35.4% in 2023, primarily due to: (i) our increased participation in discount sales activities to expand our customer base and market share; and (ii) our strategic price reduction for kitchen utensils and drinkware to increase competitiveness, which together contributed a higher proportion of our total revenue from Mainland China in 2023. Our gross profit margin in Mainland China increased slightly from 37.3% for the three months ended March 31, 2023 to 39.0% for the same period in 2024, primarily due to a decrease in the proportion of revenue contributed by our cookware products with relatively lower gross profit margins, such as our Essential Woody series, which was one of our older cookware product series.

Our gross profit margin in the United States increased from 42.6% in 2021 to 53.4% in 2022, primarily due to a decrease in the average cost of sales of our cookware products, mainly attributable to: (i) our increased bargaining power against our suppliers as a result of our increased purchase volume; and (ii) an increase in the average selling price of our cookware sets, mainly attributable to a higher proportion and sales volume of cookware sets containing 10 or more items as a result of our strategy to cater to U.S. consumers' increased preference for large cookware sets that contain a variety of cookware designed for specific tasks and access to large storage space. Our gross profit margin in the United States decreased to 39.4% in 2023, primarily because we reduced the prices of our cookware sets, which contributed the majority of our revenue from the United States in 2023, to expand our customer base and market share. The average selling price of our cookware sets sold in the United States decreased from RMB622.9 per SKU in 2022 to RMB570.8 per SKU in 2023. The foregoing was partially offset by an increase in the average selling price of our cookware sold as single items in the United States from RMB154.5 per SKU in 2022 to RMB176.0 per SKU in 2023. Our gross profit margin in the United States remained relatively stable at 45.7% and 46.3% for the three months ended March 31, 2023 and 2024, respectively.

Our gross profit margin in Western Europe increased from 44.7% in 2021 to 53.8% in 2022, and decreased to 47.5% in 2023, primarily due to reasons similar to those for the United States. As in the United States, cookware sets also contributed the majority of our revenue from Western Europe in 2023. The average selling price of our cookware sets sold in Western Europe decreased from RMB412.4 per SKU in 2022 to RMB319.1 per SKU in 2023. The average selling price of our cookware sold as single items in Western Europe also decreased from RMB232.5 per SKU in 2022 to RMB132.2 per SKU in 2023. Our gross profit margin in Western Europe increased from 50.2% for the three months ended March 31, 2023 to 52.4% for the same period in 2024, primarily because we raised the selling prices of certain cookware and kitchen utensil products sold in Western Europe. In particular, the average selling price of our cookware sold as single items and sets in Western Europe increased from RMB125.5 per SKU and RMB396.5 per SKU, respectively, for the three months ended March 31, 2023 to RMB155.0 per SKU and RMB499.2 per SKU, respectively, for the same period in 2024. The average selling prices of our kitchen utensils sold in Western Europe increased from RMB155.6, for the three months ended March 31, 2023 to RMB238.9, for the same period in 2024.

Our gross profit margin in Japan increased from 35.1% in 2021 to 56.4% in 2022, primarily due to: (i) a decrease in our average cost of sales, mainly attributable to our increased bargaining power against suppliers as a result of our increased purchase volume, in particular for our best-selling Cosy series; and (ii) an increase in our overall pricing power, mainly attributable to our offering of cookware with distinctive and appealing features, for example our Eight Mile Place series, which featured a unique detachable handle design that catered to the space-saving need of Japanese households and had relatively few similar competitors on the market. Our gross profit margin in Japan decreased to 48.3% in 2023, primarily due to our strategic reduction of the prices of our cookware, which contributed 93.7% of our revenue from Japan in 2023, to attract more customers and expand our market share. We lowered the prices of cookware products contributing over half of our total revenue from Japan in 2023. Our gross profit margin in Japan decreased from 49.7% for the three months ended March 31, 2023 to 45.3% for the same period in 2024, primarily because: (i) the depreciation of Japanese yen against Renminbi resulted in a decrease in the selling prices (as measured in Renminbi) of our products in Japan; and (ii) our cost of inventories sold, which contributed the majority of our cost of sales, remained unaffected by the depreciation of Japanese yen as our purchases of inventories were settled in Renminbi.

Our gross profit margin in Southeast Asia increased from 35.3% in 2021 to 41.8% in 2022, primarily due to: (i) a decrease in our average cost of sales, mainly attributable to our increased bargaining power against suppliers as a result of our increased purchase volume; and (ii) an increase in our overall pricing power, mainly attributable to our offering of new products with unique and competitive features, such as our Eight Mile Place series with detachable handles. Our gross profit margin in Southeast Asia decreased to 35.5% in 2023, primarily due to our strategic reduction of the prices of our cookware sets to attract more customers and expand our market share. Our revenue from the sales of cookware sets in Southeast Asia amounted to RMB21.2 million and RMB57.1 million in 2022 and 2023, respectively, accounting for 44.4% and 74.6% of our total revenue from Southeast Asia for the same period, respectively. The average selling price of our cookware sets sold in Southeast Asia decreased from RMB343.9 per SKU in 2022 to RMB325.0 per SKU in 2023. The average selling price of our cookware sold as single items in Southeast Asia also decreased from RMB105.1 per SKU in 2022 to RMB95.3 per SKU in 2023. Our gross profit in Southeast Asia decreased by 7.8% from RMB6.7 million for the three months ended March 31, 2023 to RMB6.2 million for the same period in 2024, primarily due to a decrease in our revenue from Southeast Asia. Our gross profit margin in Southeast Asia increased from 37.2% for the three months ended March 31, 2023 to 40.3% for the same period in 2024, primarily because we raised the selling prices of certain cookware and kitchen utensil products sold in Southeast Asia. The average selling prices of our cookware and kitchen utensils sold in Southeast Asia increased from RMB179.9 and RMB52.2, respectively, for the three months ended March 31, 2023 to RMB202.7 and RMB64.9, respectively, for the same period in 2024.

Our gross profit margin in other countries increased from 25.8% in 2021 to 44.7% in 2022, primarily due to a decrease in the average cost of sales of our cookware products, mainly attributable to our increased bargaining power against suppliers as a result of our increased purchase volume. Our gross profit margin in other countries decreased to 36.3% in 2023, primarily due to our strategic reduction of the prices of certain cookware products to attract more customers and expand our market share, particularly in India and Canada. Our gross profit margin in other countries increased from 40.0% for the three months ended March 31, 2023 to 46.4% for the same period in 2024, primarily because we raised the selling prices of certain cookware sets and kitchen utensil products sold in other countries. The average selling prices of our cookware sets and kitchen utensils sold in other countries increased from RMB346.4 and RMB20.5, respectively, for the three months ended March 31, 2023 to RMB423.8 and RMB26.3, respectively, for the same period in 2024. The foregoing was partially offset by a decrease in the average selling price of our cookware sold as single items in other countries from RMB114.5 per SKU for the three months ended March 31, 2023 to RMB97.8 per SKU for the same period in 2024.

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 periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	(RMB in millions except for percentages)									
							(unaudited)			
Commission to e-commerce platforms	29.6	52.1%	47.5	43.7%	167.2	68.1%	24.7	66.2%	61.5	72.7%
Marketing and advertising expenses	23.1	40.8%	53.1	48.8%	67.6	27.5%	10.0	26.8%	15.6	18.4%
Employee benefit expenses	2.8	5.0%	5.7	5.2%	7.1	2.9%	1.7	4.6%	5.2	6.1%
Share-based payment expenses	—	—	—	—	1.2	0.5%	—	—	0.4	0.5%
Office expenses	0.6	1.1%	0.3	0.3%	0.7	0.3%	0.3	0.8%	—	—
Others	0.6	1.0%	2.2	2.0%	1.6	0.7%	0.5	1.6%	2.0	2.3%
Total	**56.7**	**100.0%**	**108.8**	**100.0%**	**245.4**	**100.0%**	**37.2**	**100.0%**	**84.7**	**100.0%**

Our commission paid to e-commerce platforms amounted to RMB29.6 million, RMB47.5 million, RMB167.2 million, RMB24.7 million, and RMB61.5 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, 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, RMB67.6 million, RMB10.0 million, and RMB15.6 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, 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) listing expenses of RMB6.0 million in 2023 in relation to our preparations for the Listing; 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 periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	(RMB in millions except for percentages)									
							(unaudited)			
Employee benefit expenses	9.0	44.2%	8.2	39.7%	9.2	29.2%	2.6	45.6%	3.0	18.5%
Depreciation of property, plant and equipment	0.8	4.1%	1.7	7.9%	2.9	9.0%	0.6	10.5%	0.9	5.6%
Depreciation of right-of-use assets	1.5	7.3%	2.6	12.6%	1.4	4.3%	0.3	5.3%	0.3	1.9%
Listing expenses	—	—	—	—	6.0	19.1%	0.1	1.8%	8.5	52.5%
Legal and professional fees	1.9	9.2%	1.1	5.4%	4.4	13.9%	0.7	12.3%	1.0	6.2%
Office expenses	1.8	8.9%	0.7	3.5%	0.6	1.7%	0.1	1.8%	0.3	1.9%
Share-based payment expenses	—	—	—	—	0.4	1.3%	—	—	0.1	0.6%
Others[1]	5.3	26.3%	6.4	30.9%	6.7	21.5%	1.3	22.7%	2.1	12.8%
Total	**20.3**	**100.0%**	**20.7**	**100.0%**	**31.6**	**100.0%**	**5.7**	**100.0%**	**16.2**	**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 listing expenses of RMB6.0 million in relation to our preparations for the Listing. Similarly, the increase in our administrative expenses for the three months ended March 31, 2024 compared to the same period in 2023 was primarily due to our incurrence of listing expenses of RMB8.5 million in relation to our preparations for the Listing.

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 periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	(RMB in millions except for percentages)									
							(unaudited)			
Raw material and consumables used	14.5	80.1%	19.1	91.6%	32.6	90.8%	5.9	89.4%	9.1	93.8%
Employee benefit expenses	1.7	9.3%	1.5	7.4%	2.9	7.9%	0.4	6.1%	0.6	6.2%
Depreciation of property, plant and equipment	1.7	9.4%	—	—	—	—	—	—	—	—
Others	0.2	1.2%	0.2	1.0%	0.4	1.3%	0.3	4.5%	—	—
Total	**18.1**	**100.0%**	**20.8**	**100.0%**	**35.9**	**100.0%**	**6.6**	**100.0%**	**9.7**	**100.0%**

Our raw material and consumables used amounted to RMB14.5 million, RMB19.1 million, RMB32.6 million, RMB5.9 million, and RMB9.1 million in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, respectively. The increase in our raw material and consumables used from 2021 to 2023 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. We recorded net reversal of impairment on financial assets of RMB5,000 for the three months ended March 31, 2024, primarily due to our provision for impairment for certain trade receivables aged over one year.

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 periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2021	**2022**	**2023**	**2023**	**2024**
			(RMB in millions)		
				(unaudited)	
Government grants	0.4	1.5	3.1	—	0.8
Others[(1)]	0.1	0.2	0.1	—	0.1
Total	**0.5**	**1.7**	**3.2**	**—**	**0.9**

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.

For the three months ended March 31, 2024, we received government grants of RMB0.8 million, consisting of awards from the Yongkang local government for our contribution to the local economy and our achievement of certain performance 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 periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2021	**2022**	**2023**	**2023**	**2024**
			(RMB in millions)		
				(unaudited)	
Current tax on profits for the year	5.2	19.8	45.5	9.9	15.1
Deferred income tax	(0.8)	(1.8)	(3.7)	(1.2)	2.0
Total	**4.4**	**18.0**	**41.8**	**8.7**	**17.1**

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, and for the three months ended March 31, 2024.

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, and for the three months ended March 31, 2024.

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, and for the three months ended March 31, 2024.

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, and for the three months ended March 31, 2024.

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, and for the three months ended March 31, 2024 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%, 15.0%, and 16.2% in 2021, 2022, and 2023, and for the three months ended March 31, 2024, 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, RMB33.5 million, and RMB32.9 million as of December 31, 2021, 2022, and 2023, and March 31, 2024, respectively.

In 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024, our income tax payments amounted to RMB2.4 million, RMB6.1 million, RMB30.3 million, RMB9.5 million, and RMB15.8 million, respectively, while our current income tax expense amounted to RMB4.4 million, RMB18.0 million, RMB41.8 million, RMB8.7 million, and RMB17.1 million for the same period, 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,			Three months ended March 31,	
	2021	2022	2023	2023	2024
			(RMB in millions)		
				(unaudited)	
Profit before taxation	36.0	126.5	278.3	64.6	105.6
Tax calculated at statutory tax rates applicable to each group entity	7.9	30.6	66.3	13.1	23.6
Preferential tax rate	(3.2)	(12.0)	(23.8)	(4.3)	(4.3)
Expenses not deductible for tax purpose	0.2	0.4	0.2	—	0.1
Super deduction for research and development expenses	(1.3)	(1.8)	(2.7)	(0.5)	(0.7)
Tax losses for which no deferred income tax asset was recognized	0.8	0.8	2.0	0.5	0.4
Previously unrecognized tax losses now recouped to reduce current tax expense	—	—	(0.2)	(0.1)	(0.6)
Recognition of previously unrecognized deductible losses	—	—	—	—	(1.4)
Income tax expense	**4.4**	**18.0**	**41.8**	**8.7**	**17.1**

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

The following discussion compares the major components of our results of operations in 2021, 2022, and 2023, and for the three months ended March 31, 2023 and 2024.

Three Months Ended March 31, 2023 Compared to Three Months Ended March 31, 2024

Revenue

Our revenue increased by 72.3% from RMB291.8 million for the three months ended March 31, 2023 to RMB502.9 million for the same period in 2024 due to: (i) an increase in our revenue from branded business from RMB246.5 million for the three months ended March 31, 2023 to RMB450.0 million for the same period in 2024, mainly attributable to increases in our revenue from sales on Amazon, Walmart, and other platforms; and (ii) an increase in our revenue from ODM business from RMB45.3 million for the three months ended March 31, 2023 to RMB52.9 million for the same period in 2024, mainly attributable to an increase in purchases by Customer A from our top five customers.

In particular, for our branded business, our revenue from sales on Amazon increased significantly from RMB108.8 million for the three months ended March 31, 2023 to RMB235.0 million for the same period in 2024, primarily due to an increase in our sales of large cookware sets comprising 10 or more items, which were among our most popular products in the United States and Western Europe. Our revenue from sales on Walmart increased significantly from RMB25.7 million for the three months ended March 31, 2023 to RMB77.2 million for the same period in 2024, primarily due to an increase in our online and offline sales of large cookware sets comprising 10 or more items. Our revenue from sales on other platforms increased significantly from RMB15.8 million for the three months ended March 31, 2023 to RMB40.7 million for the same period in 2024, primarily due to (i) an increase in our sales on TikTok in the United States, mainly attributable to an increase in our sales of large cookware sets comprising 10 or more items; and (ii) an increase in our sales on Rakuten, mainly attributable to an increase in our sales of cookware sets featuring detachable handles and comprising eight or more items.

Cost of Sales

Our cost of sales increased by 62.0% from RMB181.1 million for the three months ended March 31, 2023 to RMB293.5 million for the same period in 2024, 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 by 89.2% from RMB110.7 million for the three months ended March 31, 2023 to RMB209.4 million for the same period in 2024. Our gross profit margin increased from 37.9% for the three months ended March 31, 2023 to 41.6% for the same period in 2024 due to an increase in the gross profit margin of our branded business, mainly attributable to an increase in the respective gross profit margin of our sales of cookware and kitchen utensils as a result of an increase in the respective average selling price of each. In particular, the average selling prices of our cookware and kitchen utensils increased from RMB183.7 and RMB17.8, respectively, for the three months ended March 31, 2023 to RMB242.2 and RMB27.9, respectively, for the same period in 2024. The average selling price of our cookware increased despite the decreases in the average price for cookware sold as single items and sets from RMB101.6 per SKU and RMB465.1 per SKU, respectively, for the three months ended March 31, 2023 to RMB90.8 per SKU and RMB433.0 per SKU, respectively, for the same period in 2024, primarily because of a significant increase in the proportion and volume of cookware sets sold from approximately 23.8% of our total number of cookware products sold for the three months ended March 31, 2023 to approximately 45.4% of our total number of cookware products sold for the same period in 2024.

Selling Expenses

Our selling expenses increased significantly from RMB37.2 million for the three months ended March 31, 2023 to RMB84.7 million for the same period in 2024, primarily due to: (i) an increase of RMB36.8 million in commissions to e-commerce platforms, mainly attributable to our online sales growth, particularly on Amazon, which charged a higher commission rate; and (ii) an increase of RMB5.6 million in marketing and advertising expenses, mainly attributable to our increased online marketing and promotional activities to enhance our brand awareness and expand our customer base, particularly in the United States.

Administrative Expenses

Our administrative expenses increased significantly from RMB5.7 million for the three months ended March 31, 2023 to RMB16.2 million for the same period in 2024, primarily due to our incurrence of listing expenses of RMB8.5 million in relation to our preparations for the Listing.

Research and Development Expenses

Our research and development expenses increased by 47.2% from RMB6.6 million for the three months ended March 31, 2023 to RMB9.7 million for the same period in 2024, primarily due to an increase in our ongoing research and development projects as we continued to expand our product offering.

Net Reversal of Impairment on Financial Assets

We recorded net reversal of impairment on financial assets of RMB88,000 and RMB5,000 for the three months ended March 31, 2023 and 2024, respectively. The decrease in our net reversal of impairment on financial assets was primarily due to our provision of impairment for certain trade receivables aged over one year.

Other Income

Our other income increased from nil for the three months ended March 31, 2023 to RMB0.9 million for the same period in 2024, primarily due to our receipt of government grants in reward for our contribution to the local economy and achievement of certain performance targets.

Other Gain or Losses, Net

Our net other gains increased significantly from RMB2.0 million for the three months ended March 31, 2023 to RMB5.2 million for the same period in 2024, primarily due to an increase of RMB2.9 million in our net foreign exchange gains, mainly attributable to an appreciation of U.S. dollars against Renminbi and an increase in our revenue from overseas sales conducted in U.S. dollars.

Finance Income, Net

Our net finance income decreased by 44.8% from RMB1.3 million for the three months ended March 31, 2023 to RMB0.7 million for the same period in 2024, primarily because a greater portion of our fixed deposits was newly purchased in the first quarter of 2024, resulting in lower total interest income generated from these deposits.

Income Tax Expenses

Our income tax expenses increased significantly from RMB8.7 million for the three months ended March 31, 2023 to RMB17.1 million for the same period in 2024, primarily due to an increase in our taxable income.

Profit for the Period and Net Profit Margin

As a result of the foregoing, our profit for the period increased by 58.4% from RMB55.9 million for the three months ended March 31, 2023 to RMB88.5 million for the same period in 2024, while our net profit margin decreased slightly from 19.1% for the three months ended March 31, 2023 to 17.6% for the same period in 2024.

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: (a) our offering of products that successfully catered to local consumer preferences, such as our large cookware sets containing 10 or more items of different functions, which catered to the U.S. consumers' general preference for cookware designed for specific tasks and access to larger storage space; and (b) our quick development and introduction of new products in response to customer feedback and shifts in market trends as a result of our establishment of U.S.-specific marketing operations team and supply chain-management team, for example offering cookware sets in new colors within three months after receiving email requests for such color updates from customers. Our efficient supply chain management also allowed us to control costs effectively, enabling us to offer more competitive prices; (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, which enabled us to quickly identify Western European customers' preferences and adjust our product offering accordingly, for example offering large cookware sets as Western European consumers had similar preference for such sets as U.S. consumers; and (iii) our sales growth in Japan and Southeast Asia, primarily 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: (i) the continued strong sales of products from our classic series that suit traditional Chinese cooking needs, such as frying pans, woks, and saucepans from our Cosy series; and (ii) our introduction of new products featuring functional improvements and stylish designs that were well received by Tmall users, such as our cartoon-design insulated cups. 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, primarily large 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 from 4.4 million in 2022 to 3.7 million in 2023 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: (i) our increased emphasis on offering products with high value for price to attract more customers and capture more market share. In particular, we lowered the average prices of our cookware sets in the United States, Western Europe, and Southeast Asia, where cookware sets contributed the majority of our revenue in 2023. For details, see "— Principal Components of Consolidated Statements of Comprehensive Profit — Gross Profit and Gross Profit Margin — Gross Profit and Gross Profit Margin of Branded Business — By Geographical Location"; and (ii) our participation in more discount sales activities. Our gross profit margin for ODM business decreased slightly from 13.3% in 2022 to 11.8% in 2023, primarily due to: (i) certain pricing reductions we made to maintain competitiveness, mainly to our existing cookware products. The average price of our ODM products decreased from RMB51.1 per SKU in 2022 to RMB49.1 per SKU in 2023; and (ii) a decrease in our pricing power as we developed fewer new products due to our strategic diversion of resources away from our ODM business.

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 listing expenses of RMB6.0 million.

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, such as France and Sweden; (ii) our introduction of region-specific products that catered to local consumer preferences on Amazon stores for different countries, such as large cookware sets containing 10 or more items on Amazon US and Amazon stores in Western Europe, space-saving cookware with detachable handles and tamagoyaki pans on Amazon Japan, as well as roti pans on Amazon India; and (iii) our effective sales strategy of selling our products as cookware sets instead of single items, which encouraged larger single purchases by consumers as the average price per item within these sets is typically lower than the cost of buying items individually. Such cookware sets contributed a relatively high portion of revenue in the U.S. and Western Europe, where consumers generally favored large cookware sets for the variety of cookware they offered and had larger storage space to accommodate large sets. 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 coffee travel mugs.

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 due to: (i) a decrease in our cost of sales, particularly for cookware, mainly attributable to an increase in our bargaining power against suppliers as our purchase volume increased; and (ii) an increase in our pricing power mainly attributable to our offering of new products with distinctive features, such as our Eight Mile Place series with removable handles. In particular, the average price of our cookware sets increased from RMB389.9 per SKU in 2021 to RMB429.0 per SKU in 2022 as we offered and sold a higher proportion of large cookware sets containing 10 or more items particularly in the U.S. This is due to our strategy to cater to consumers' increased preference for large cookware sets that contain a variety of cookware designed for specific tasks and their access to larger storage space in markets such as the United States. 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, as reflected in the average cost of our ODM products, which decreased from RMB48.3 per SKU in 2021 to RMB44.3 per SKU in 2022; and (ii) an increase in our average selling price per product, primarily due to our development of new products with more competitive features, such as cookware with a new light color scheme and more durable coating, which allowed us to negotiate for higher prices with our customers. The average price of our ODM products increased from RMB50.9 per SKU in 2021 to RMB51.1 per SKU in 2022.

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 March 31,	As of July 31,
	2021	**2022**	**2023**	**2024**	**2024**
	(RMB in millions)				
					(Unaudited)
Current assets					
Inventories	30.5	42.2	108.3	153.0	165.9
Trade receivables	63.6	55.3	73.9	71.8	117.9
Prepayments, other receivables, and other current assets	14.8	26.5	23.9	24.6	26.0
Short-term bank time deposits	—	77.4	89.0	75.8	42.5
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	264.2	204.2
Total current assets	**256.1**	**295.1**	**531.2**	**589.4**	**556.5**
Current liabilities					
Trade and bills payables	282.0	276.2	358.6	425.4	378.7
Other payables and accruals	31.8	62.5	11.3	114.7	43.6
Current income tax liabilities	4.7	18.4	33.5	32.9	23.5
Current borrowings	39.2	19.2	5.0	5.0	5.0
Current lease liabilities	1.2	1.4	2.7	2.7	2.0
Total current liabilities	**358.9**	**377.7**	**411.1**	**580.7**	**452.8**
Net current assets/(liabilities)	**(102.8)**	**(82.6)**	**120.1**	**8.7**	**103.7**

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 we borrowed in 2021 to finance our purchases of the Yongkang Land Parcel and the land parcel in Wuyi County, Zhejiang, which we acquired for the purpose of constructing dormitory facilities and warehouse facilities. 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"; 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 Relating 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 92.8% from RMB120.1 million as of December 31, 2023 to RMB8.7 million as of March 31, 2024, primarily due to: (i) an increase of RMB103.5 million in our other payables and accruals, primarily due to an increase of RMB100.0 million in our dividend payable as a result of our dividend declaration on March 4, 2024 to our then shareholders; and (ii) an increase of RMB66.7 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,			As of March 31,
	2021	2022	2023	2024
	(RMB in millions)			
Finished goods	25.0	42.1	107.4	152.3
Raw materials and parts	2.5	0.1	0.9	0.7
Work in progress	3.0	—	—	—
Total	**30.5**	**42.2**	**108.3**	**153.0**

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 majority of our inventory as of December 31, 2022 comprised cookware sets, which were among our best-selling products in the United States, Western Europe, and Japan. 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, in particular our most popular cookware product series, including Cosy, Ice Cream, and Essential Woody.

Our inventories further increased by 41.3% to RMB153.0 million as of March 31, 2024, primarily because we stocked more finished goods to meet the demand of our growing branded business, in particular in overseas markets where we experienced strong sales growth, including the United States, Western Europe, and Japan.

The following table sets for an aging analysis of our inventories as of the dates indicated:

	As of December 31,			As of March 31,
	2021	2022	2023	2024
	(RMB in millions)			
Less than three months				
Finished goods	21.7	38.7	101.7	132.6
Raw materials and parts	2.5	0.1	0.9	0.6
Work in progress	3.0	—	—	—
	27.2	38.8	102.6	133.2
Three months to six months	2.4	1.9	4.6	17.0
Six months to nine months	0.3	0.9	0.7	2.3
Nine months to one year	0.6	0.5	0.3	0.5
	30.5	42.2	108.3	153.0
More than one year	—	—	—	—
Total	**30.5**	**42.2**	**108.3**	**153.0**

The following table sets forth the average inventory turnover days for the periods indicated:

	Year ended December 31,			Three months ended March 31,
	2021	2022	2023	2024
Average inventory turnover days[(1)]	17.5	26.9	27.0	40.1

Note:

(1) Average inventory turnover days equal the average of the opening and closing inventory balances of the period indicated divided by the cost of sales of the same period and multiplied by 365 days for a full-year period or 90 days for a three-month period.

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 overseas markets, where we kept more finished goods in stock to cope with the relatively longer international shipping time. Our average inventory turnover days remained stable at 27.0 days in 2023. Our average inventory turnover days increased to 40.1 days for the three months ended March 31, 2024, primarily because we stocked more finished goods in overseas markets to meet the demand of our rapidly growing branded business, as international shipping is generally lengthier in duration.

As of July 31, 2024, RMB153.0 million, or 100.0%, of our inventories as of March 31, 2024 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,			As of March 31,
	2021	**2022**	**2023**	**2024**
	(RMB in millions)			
Trade receivables	63.7	55.5	74.0	71.9
Less: allowance for impairment	(0.1)	(0.2)	(0.1)	(0.1)
Total	**63.6**	**55.3**	**73.9**	**71.8**

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. Our trade receivables, net of allowance for impairment, remained relatively stable at RMB71.8 million as of March 31, 2024.

The following table sets forth an aging analysis of our trade receivables as of the dates indicated:

	As of December 31,			As of March 31,
	2021	2022	2023	2024
	(RMB in millions)			
Less than three months	63.6	55.3	73.9	71.8
Three months to six months	—	—	—	—
Six months to nine months	—	—	—	—
Nine months to one year	0.1	—	—	—
More than one year	—	0.2	0.1	0.1
Total	**63.7**	**55.5**	**74.0**	**71.9**

Substantially all of our trade receivables were aged less than three months as of December 31, 2021, 2022, and 2023, and March 31, 2024. 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 periods indicated:

	Year ended December 31,			Three months ended March 31,
	2021	2022	2023	2024
Average trade receivables turnover days(1)	33.6	28.3	14.9	13.1
Average trade receivables turnover days — branded business(2)	7.8	8.3	8.1	9.4
Average trade receivables turnover days — ODM business(3)	52.3	73.0	61.5	44.2

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 period indicated divided by the revenue of the same period and multiplied by 365 days for a full-year period or 90 days for a three-month period.

(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 period indicated divided by the revenue from branded business of the same period and multiplied by 365 days for a full-year period or 90 days for a three-month period.

(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 period indicated divided by the revenue from ODM business of the same period and multiplied by 365 days for a full-year period or 90 days for a three-month period.

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. Our average trade receivables turnover days remained relatively stable at 13.1 days for the three months ended March 31, 2024.

The average trade receivables turnover days of our branded business remained relatively stable at 7.8 days, 8.3 days, 8.1 days, and 9.4 days in 2021, 2022, and 2023 and for the three months ended March 31, 2024, 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. The average trade receivables turnover days of our ODM business further decreased to 44.2 days for the three months ended March 31, 2024, primarily because sales to Customer A, who had a credit period of 45 days, contributed a higher proportion of our revenue from ODM business.

As of July 31, 2024, RMB71.5 million, or 99.5%, of our trade receivables as of March 31, 2024 had been settled.

Prepayments, Other Receivables, and Other Current Assets

Our prepayments, other receivables, and other current assets primarily consist of: (i) other receivables, mainly comprising (a) refundable deposits paid to or withheld by third-party e-commerce platforms, (b) export tax refundable, which comprises the amount of tax rebate we were entitled to receive for the value-added tax we paid on our goods manufactured in China and subsequently exported in a given month, and (c) amounts due from our related parties Yongkang Shijimei Trading Co., Ltd. (永康市時集美貿易有限公司) ("**Shijimei**"), Ms. Lyu, Zhejiang Xinjie Industry and Trade Co., Ltd. (浙江信傑工貿有限公司) ("**Xinjie**"), and Zhejiang Leshengen. For details, see "— Related Party Transactions"; (ii) prepaid listing expenses in relation to our preparation for the Listing; and (iii) input VAT to be deducted.

The following table sets forth a breakdown of our prepayments, other receivables, and other current assets as of the dates indicated:

	As of December 31,			As of March 31
	2021	2022	2023	2024
	(RMB in millions)			
Other receivables				
Refundable deposits	2.0	8.3	9.5	14.9
Export tax refundable	6.4	1.8	11.9	4.8
Due from related parties	6.3	6.9	0.4	0.4
Others	0.1	0.8	0.2	0.2
	14.8	17.9	22.1	20.2
Less: provision for impairment	(0.2)	(0.2)	—	—
	14.6	17.7	22.0	20.2
Prepaid listing expenses	—	—	2.0	4.4
Input VAT to be deducted	0.1	8.9	—	—
Total	**14.7**	**26.5**	**24.0**	**24.6**

Our prepayments, other receivables, and other current assets increased by 80.3% from RMB14.7 million as of December 31, 2021 to RMB26.5 million as of December 31, 2022, primarily due to: (i) an increase of RMB8.8 million in our input VAT to be deducted, mainly attributable to our increased purchases from suppliers as our business grew; and (ii) an increase of RMB6.3 million in our refundable deposits, mainly attributable to an increase in our refundable deposits withheld by Amazon for potential refunds to customers and unsuccessful credit card transactions, as our sales on Amazon increased. The foregoing was partially offset by a decrease of RMB4.6 million in export tax refundable, primarily because our total value of goods exported in the month of December 2022 was lower compared to the month of December 2021. Our export tax refundable as of December 31 mainly represented the amount of tax rebate we were entitled to receive for the value-added tax we paid on our goods manufactured in China and subsequently exported for the month of December, and was not representative of the total amount of such tax rebate we received in the given year.

Our prepayments, other receivables, and other current assets decreased by 9.4% to RMB24.0 million as of December 31, 2023, primarily due to: (i) a decrease of RMB6.5 million in our amounts due from related parties due to the settlement of loans and receivables due from Shijimei, Ms. Lyu, and Xinjie. For details, see "— Related Party Transactions"; and (ii) a decrease of RMB8.9 million in our input VAT to be deducted, mainly because our output VAT exceeded our input VAT. The foregoing was partially offset by an increase of RMB10.1 million in our export tax refundable, primarily because our total value of goods exported in December 2023 was higher compared to December 2022.

Our prepayments, other receivables, and other current assets increased slightly by 2.5% to RMB24.6 million as of March 31, 2024, primarily due to: (i) an increase of RMB5.4 million in our refundable deposits, mainly attributable to an increase in our refundable deposits withheld by Amazon as our sales on Amazon increased; and (ii) an increase of RMB2.4 million in our prepaid listing expenses in relation to our preparation for the Listing. The foregoing was partially offset by a decrease of RMB7.1 million in export tax refundable, primarily because our total value of goods exported in March 2024 was lower compared to December 2023.

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. Our short-term bank time deposits decreased by 14.7% to RMB75.8 million as of March 31, 2024, primarily because certain short-term bank time deposits reached their maturity dates in the first quarter of 2024.

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,			As of March 31,
	2021	2022	2023	2024
	(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. As of March 31, 2024, our financial assets at fair value through profit or loss remained nil.

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,			As of March 31,
	2021	**2022**	**2023**	**2024**
	(RMB in millions)			
Trade payables	144.8	138.7	195.4	182.2
Bill payables	137.2	137.5	163.2	243.2
Total	**282.0**	**276.2**	**358.6**	**425.4**

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. Our trade and bills payables increased by 18.6% to RMB425.4 million as of March 31, 2024, primarily due to an increase of RMB80.0 million in our bill payables, mainly attributable to an increase in our purchase of finished cookware to meet the demand of our growing 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,			As of March 31,
	2021	2022	2023	2024
	(RMB in millions)			
Within three months	141.3	140.8	357.6	420.5
Between three months and one year	136.6	132.7	0.6	4.5
Over one year	4.1	2.8	0.4	0.4
Total	**282.0**	**276.2**	**358.6**	**425.4**

Our trade and bills payables aged within three months amounted to RMB141.3 million, RMB140.8 million, RMB357.6 million, and RMB420.5 million as of December 31, 2021, 2022, and 2023, and March 31, 2024, accounting for 50.1%, 51.0%, 99.7%, and 98.9% 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, RMB0.6 million, and RMB4.5 million as of December 31, 2021, 2022, and 2023, and March 31, 2024, respectively. Our trade and bills payables aged over one year amounted to RMB4.1 million, RMB2.8 million, RMB0.4 million, and RMB0.4 million as of December 31, 2021, 2022, and 2023, and March 31, 2024, 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 increase in our trade and bills payables aged between three months and one year from RMB0.6 million as of December 31, 2023 to RMB4.5 million as of March 31, 2024 was primarily due to our purchase of coating materials from suppliers who offered us relatively longer credit period.

The following table sets forth the number of turnover days for our trade and bills payables for the periods indicated:

	Year ended December 31,			Three months ended March 31,
	2021	2022	2023	2024
Average trade and bills payables turnover days[1]	148.0	206.6	113.8	120.2
Average trade payables turnover days[2]	86.8	104.9	59.9	57.9

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 period indicated divided by the cost of sales of the same period and multiplied by 365 days for a full-year period or 90 days for a three-month period.

(2) Average trade payables turnover days equal the average of the opening and closing balances of trade payables of the period indicated divided by the cost of sales of the same period and multiplied by 365 days for a full-year period or 90 days for a three-month period.

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.

Our average trade and bills payables turnover days and average trade payables turnover days both remained relatively stable at 120.2 days and 57.9 days for the three months ended March 31, 2024, respectively.

As of July 31, 2024, RMB182.2 million, or 100.0%, of our trade and bills payables as of March 31, 2024 had been settled.

Other Payables and Accruals

Our other payables and accruals primarily consist of other payables due to 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,			As of March 31,
	2021	2022	2023	2024
	(RMB in millions)			
Other taxes payables	4.2	6.3	4.7	7.2
Accrued freight expenses	1.9	2.6	3.5	2.5
Payroll and welfare payables	2.9	0.7	2.6	1.0
Dividend payable	—	50.0	—	100.0
Amount due to related parties	20.7	2.2	—	—
Accrued marketing and advertising expenses	0.4	0.2	—	0.2
Current portion of long-term payables	1.6	—	—	—
Payable for listing expenses	—	—	—	3.2
Others[1]	0.1	0.5	0.4	0.6
Total	**31.8**	**62.5**	**11.2**	**114.7**

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.

Our other payables and accruals increased significantly to RMB114.7 million as of March 31, 2024, primarily due to: (i) RMB100.0 million of dividend payable in relation to our March 4, 2024 dividend declaration to our then shareholders; and (ii) RMB3.2 million of payables for listing expenses in relation to our listing expenses for the Listing.

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,			As of March 31,
	2021	2022	2023	2024
	(RMB in millions)			
Non-current assets				
Property, plant and equipment	17.4	115.4	11.0	10.1
Right-of-use assets	61.0	58.4	6.9	6.1
Long-term bank time deposits	104.5	81.1	80.1	184.8
Deferred tax assets	1.1	3.1	6.9	4.8
Total non-current assets	**184.0**	**258.0**	**104.9**	**205.8**
Non-current liabilities				
Non-current borrowings	—	37.3	—	—
Long-term lease liabilities	2.2	0.8	2.0	2.1
Deferred tax liabilities	—	—	0.3	0.2
Long-term payables	8.5	—	—	—
Total non-current liabilities	**10.7**	**38.1**	**2.3**	**2.3**
Net assets	**70.3**	**137.3**	**222.6**	**212.2**

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".

Our property, plant and equipment remained relatively stable at RMB10.1 million as of March 31, 2024.

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. Our right-of-use assets further decreased by 11.7% to RMB6.1 million as of March 31, 2024, primarily due to amortization of our land use rights.

Long-Term Payables

The following table sets forth a breakdown of our long-term payables as of the dates indicated:

	As of December 31,			As of March 31,
	2021	2022	2023	2024
	(RMB in millions)			
Long-term payables	10.1	—	—	—
Less: current portion of long-term payables	(1.6)	—	—	—
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 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 March 2018 (collectively, the "**Related Loans**") to address Xinjie's liquidity needs arising from its daily operations.

For the purposes of the Related Loans, Zhejiang Carote, one of our major subsidiaries, provided guarantees to guarantee the obligations of Mr. Li and Xinjie, respectively, under such Related Loans (the "**Related Guarantees**"). At the relevant time of provision of the Related Guarantees, Zhejiang Carote, as the guarantor for the Related Guarantees, was owned as to 55% by Ms. Lyu and 45% by Mr. Zhang Zhihui, the father of Mr. Zhang, and its sole director was Ms. Lu Zhumei, the mother of Mr. Zhang (the "**Predecessor Director**").

In deciding to provide the Related Guarantees, the Predecessor Director and the then shareholders of Zhejiang Carote assessed the financial condition of Xinjie and believed that Xinjie was financially capable of meeting its payment obligations to the banks as it was in normal operation. In light of this, and considering that (i) no rights of any other shareholders (other than Ms. Lyu and Mr. Zhang Zhihui) or creditors have been prejudiced, and (ii) providing reasonable financial assistance, including guarantees, to family members is an understandable behavior for a private company, particularly since Xinjie had previously acted as a guarantor to provide a guarantee of RMB10.0 million to Zhejiang Carote for a loan from the Shanghai Pudong Development Bank in 2010, our Directors are of the view that the decision of the Predecessor Director and the then shareholders of Zhejiang Carote to provide the Related Guarantees was a reasonable commercial judgment at the relevant time when such decision was made.

In May 2018, Mr. Li and Xinjie defaulted on their payment obligations to the banks due to financial difficulties. As their guarantor, we assumed the obligations to repay the outstanding loan balance and subsequently entered into repayment agreements with the banks in May and September 2018, respectively, pursuant to which we agreed to make annual payments of RMB1.9 million annually from 2018 to 2027. The original value of our total payment obligation to the banks was approximately RMB19.4 million. In 2018, we recognized long-term payables of approximately RMB16.0 million, representing the present value of this payment obligation. The RMB3.4 million difference between the original value and the present value represents the discounting impact, which will be recognized as finance costs and unwind over the period from 2018 to 2027. In 2018, we recognized RMB16.0 million in other receivables, representing the amount receivable from Xinjie, and approximately RMB13.0 million in credit losses allowance based on our expected credit losses. Our other receivables from Xinjie, net of credit losses allowance, amounted to RMB3.0 million as of December 31, 2018.

From 2018 to 2020, we made annual payments of RMB1.94 million to the banks pursuant to our repayment agreements and charged a total of approximately RMB1.4 million to finance cost in profit or loss. In 2021, we paid RMB1.94 million to the bank and recognized approximately RMB0.5 million in finance cost. In 2022, we fully settled the remaining outstanding RMB10.5 million ahead of the payment schedule under our repayment agreement, and charged a total of approximately RMB0.4 million to finance cost.

We filed separate lawsuits against Mr. Li and Xinjie to recover the amount we had paid as their guarantor and obtained judgments in our favor in August and September 2021, respectively. In October 2021, Mr. Li and Xinjie entered into a repayment agreement with us (the "**Repayment Agreement**"), pursuant to which they agreed to repay us a total of RMB19.4 million, equivalent to the full amount we paid the banks on their behalf as their guarantor. The repayment plan comprised annual payments of RMB1.0 million each year from 2021 to 2038, with a final payment of RMB1.4 million in 2039. Our Directors believe that, given the deteriorating financial conditions of Mr. Li and Xinjie, such a repayment agreement in instalments spanning over an extended period of time was realistically the most likely to be fulfilled, which was in our best interest. Pursuant to the Repayment Agreement, Mr. Li and Xinjie repaid us RMB1.0 million in each of 2021, 2022, and 2023. Our other receivables from Xinjie, net of credit losses allowance, was nil as of December 31, 2023.

Save for the above, before and during the Track Record Period and up to the Latest Practicable Date, neither Mr. Li, Xinjie, nor any of their respective associates had any other transactions, financing or fund flows with us.

We have since enhanced our corporate governance and internal control measures to prohibit giving guarantees to external parties and lending to related parties. In particular, we have amended our external loan management policy to impose a stricter step-by-step review process for proposed loans to external parties. Our finance department first prepares a loan proposal, which is then reviewed by our financial manager, and finally reviewed by our general manager. Loans can only be granted if the following criteria are met: (i) the borrowing party must be an operational business enterprise or an individual with an adequate source of funds to repay the principal amount and interest by the loan's maturity date; and (ii) the interest rate stipulated in the loan contract shall be set at twice the loan rate for the same period as stipulated by the People's Bank of China. Our external loan management policy explicitly prohibits related party lending and the provision of guarantees to external parties. Our Directors believe that these measures will be sufficient to prevent similar incidents from happening again in the future.

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, RMB236.1 million, and RMB264.2 million as of December 31, 2021, 2022 and 2023, and March 31, 2024, 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 net proceeds received from the Global Offering. We do not anticipate any changes to the availability of financing to fund our operations in the future.

Working Capital Sufficiency

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, internally generated funds, and the estimated net proceeds from the Global Offering, 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 prospectus.

Cash Flows

The following table sets forth selected cash flow statement information for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2021	**2022**	**2023**	**2023**	**2024**
			(RMB in millions)		
				(unaudited)	
Net cash flows generated from operating activities	122.0	128.7	243.9	(29.4)	122.1
Net cash flows (used in)/generated from investing activities	(95.5)	(184.0)	48.1	73.5	(92.2)
Net cash flows generated from/(used in) financing activities	34.9	0.6	(98.2)	(0.6)	(1.7)
Net increase/(decrease) in cash and cash equivalents	**61.4**	**(54.7)**	**193.8**	**43.5**	**28.2**
Cash and cash equivalents at beginning of year	36.3	97.7	42.5	42.5	236.1
Effects of exchange rate changes on cash and cash equivalents	—	(0.5)	(0.2)	(0.2)	(0.1)
Cash and cash equivalents at end of year	**97.7**	**42.5**	**236.1**	**85.8**	**264.2**

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.

For the three months ended March 31, 2024, we had cash generated from operating activities of RMB122.1 million. This amount represented our profit before tax of RMB105.6 million, adjusted for non-cash and non-operating items, primarily (i) depreciation of property, plant and equipment and right-of-use assets of RMB1.2 million, and (ii) finance costs of RMB0.7 million. The amount was further adjusted by changes in certain working capital accounts, primarily: (i) an increase of RMB66.7 million in trade and bills payables, mainly attributable to our increased purchases of finished goods, in particular cookware, from suppliers to meet the demand of our growing branded business; and (ii) an increase in inventories of RMB44.7 million in line with our business growth.

For the three months ended March 31, 2023, we had cash used in operating activities of RMB29.4 million. This amount represented our profit before tax of RMB64.6 million, adjusted for non-cash and non-operating items, primarily (i) finance costs of RMB1.3 million; (ii) net exchange differences of RMB1.1 million; and (iii) depreciation of property, plant and equipment and right-of-use assets of RMB0.9 million. The amount was further adjusted by changes in certain working capital accounts, primarily (i) a decrease of RMB45.3 million in trade and bills payables, mainly attributable to the settlement of payables to our suppliers in the first quarter of 2023; (ii) an increase in other operating assets of RMB28.0 million, mainly attributable to an increase in other receivables related to (a) export tax rebate as our overseas sales increased, and (b) deposits paid to platforms, primarily comprising amounts reserved for refund payments on Amazon as our sales on Amazon increased; and (iii) an increase in inventories of RMB15.5 million, in line with our business growth.

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 our payroll amount, mainly attributable to an increase in the average salaries of our employees as we increased our number of sales staff, who generally received higher wages; 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 our payroll amount, mainly attributable to an increase in the average salaries of our employees; (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, 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.

For the three months ended March 31, 2024, we had net cash used in investing activities of RMB92.2 million, mainly attributable to payments for long-term bank time deposits of RMB104.0 million, partially offset by RMB8.3 million in proceeds from short-term bank time deposits, net of payments from short-term bank time deposits.

For the three months ended March 31, 2023, we had net cash generated from investing activities of RMB73.5 million, mainly attributable to: (i) proceeds from disposal of financial assets at fair value through profit or loss of RMB40.2 million, primarily in relation to our sales of low-risk principal non-guaranteed short-term wealth management products, partially offset by payments for financial assets at fair value through profit or loss of RMB10.1 million, primarily in relation to our purchase of the same type of wealth management products; and (ii) proceeds from short-term bank time deposits of RMB43.7 million.

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, primarily in relation to our sales of low-risk principal non-guaranteed short-term wealth management products, partially offset by payments for financial assets at fair value through profit or loss of RMB210.1 million, primarily in relation to our purchase of the same type of wealth management products.

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, primarily in relation to our purchase of low-risk principal non-guaranteed short-term wealth management products, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB544.4 million, primarily in relation to our sales of the same type of wealth management products; (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 listing expenses.

For the three months ended March 31, 2024, we had net cash used in financing activities of RMB1.7 million, mainly attributable to payments for listing expenses in relation to our preparation for the Listing.

For the three months ended March 31, 2023, we had net cash used in financing activities of RMB0.6 million, mainly attributable to deemed distribution to shareholders pursuant to disposal of assets of RMB0.5 million pursuant to the Reorganization.

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 net proceeds 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 July 31, 2024, being the indebtedness date for the purpose of the indebtedness statement, we had a total indebtedness of RMB9.1 million. As of July 31, 2024, we had unutilized banking facilities of RMB279.3 million.

The following table sets forth the balance and breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of March 31,	As of July 31
	2021	**2022**	**2023**	**2024**	**2024**
			(RMB in millions)		
					(Unaudited)
Current borrowings	39.2	19.2	5.0	5.0	5.0
Non-current borrowings	—	37.3	—	—	—
Current lease liabilities	1.2	1.4	2.7	2.7	2.0
Non-current lease liabilities	2.2	0.8	2.0	2.1	2.1
Other payables to related parties	18.5	—	—	—	—
Total	**61.1**	**58.7**	**9.7**	**9.8**	**9.1**

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. We had other payables to related parties that are non-trade in nature of RMB18.5 million as of December 31, 2021, comprising an interest-free loan from Ms. Lyu, which we repaid in full in 2022. See "— Related Party Transactions".

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

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. Our Directors confirm that there has not been any material change in our indebtedness since July 31, 2024 up to the date of this prospectus.

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 periods indicated:

	Year ended December 31,			Three months ended March 31,
	2021	2022	2023	2024
	(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". In 2021, 2022, and 2023, and for the three months ended March 31, 2024, our capital expenditure totaled RMB70.7 million, RMB117.4 million, RMB5.9 million, and nil, respectively.

We plan to purchase a suitable office premises in Hangzhou to accommodate our business needs and reduce rental costs after the completion of the Global Offering, at an estimated cost of RMB65 million to RMB70 million. See "Summary — Recent Developments" and "Financial Information — Recent Developments" for more details.

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. As of March 31, 2024, we had no significant capital commitments. For details on our capital commitments, see note 31 to the to the Historical Financial Information in the Accountant's Report included in Appendix I to this prospectus.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods indicated:

	As of/Year ended December 31,			As of/Three months ended March 31,
	2021	2022	2023	2024
Gearing ratio(1)	60.5%	42.8%	4.4%	4.6%
Debt ratio(2)	9.7%	10.6%	1.5%	1.2%
Current ratio(3)	0.7	0.8	1.3	1.0
Return on equity(4)	44.9%	79.0%	106.2%	166.8%
Return on assets(5)	7.2%	19.6%	37.2%	44.5%

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 period 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 period indicated.

(3) Current ratio equals total current assets divided by total current liabilities as of the end of the period indicated.

(4) Return on equity equals net profit for the period indicated divided by total equity as of the end of the same period. Return on equity for the three months ended March 31, 2024 has been annualized by multiplying by four. Accordingly, the annualized return on equity may not be indicative of that for the full year ending December 31, 2024. Investors are cautioned not to place any undue reliance on such data.

(5) Return on assets equals net profit for the period indicated divided by total assets as of the end of the same period. Return on assets for the three months ended March 31, 2024 has been annualized by multiplying by four. Accordingly, the annualized return on assets may not be indicative of that for the full year ending December 31, 2024. Investors are cautioned not to place any undue reliance on such data.

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".

Our gearing ratio remained relatively stable at 4.6% for the three months ended March 31, 2024.

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". Our debt ratio remained relatively stable at 1.2% as of March 31, 2024.

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. Our current ratio remained relatively stable at 1.0 as of March 31, 2024.

Return on Equity

Our return on equity increased from 44.9% in 2021 to 79.0% in 2022, further increased to 106.2% in 2023, and further increased to 166.8% (annualized) for the three months ended March 31, 2024, 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, further increased to 37.2% in 2023, and further increased to 44.5% (annualized) for the three months ended March 31, 2024, 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,			As of March 31,
	2021	2022	2023	2024
	(RMB in millions)			
Trade in nature				
Trade receivables from Shijimei	2.3	—	—	—
Other receivables from Zhejiang Leshengen	—	—	0.4	0.4
Trade payables to Yangxi	(4.5)	—	—	—
Other payables to Shijimei	(2.2)	(2.2)	—	—
Lease liabilities to Zhejiang Leshengen	—	—	(4.0)	(4.0)
	(4.4)	(2.2)	(3.6)	(3.6)
Non-trade in nature				
Other receivables from related parties	6.3	6.9	—	—
Other payables to related parties	(18.5)	—	—	—
Total	**(16.6)**	**4.7**	**(3.6)**	**(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 Accountant's Report included in Appendix I to this prospectus.

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 March 31, 2024.

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 Listing 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 Accountant's Report in Appendix I to this prospectus (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 did 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 Accountant's Report included in Appendix I to this prospectus.

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. Subsequently, on April 19, 2024, we paid US$10.0 million of the aforementioned dividend, and the remaining amount was paid by May 17, 2024. See "— Recent Developments."

We intend to adopt, before the Listing, 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 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 March 31, 2024, we had RMB416.1 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.

LISTING EXPENSES

Our listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Listing and the Global Offering. Assuming an Offer Price of HK$5.75 per Offer Share, being the mid-point of the indicative Offer Price Range, and no exercise of the Over-Allotment Option, we estimate that our listing expenses will be approximately RMB62.0 million, accounting for approximately 9.2% of our gross proceeds, including (i) underwriting-related expenses of approximately RMB24.7 million, and (ii) non-underwriting related expenses of approximately RMB37.4 million, comprising (a) sponsor fee of approximately RMB7.0 million, (b) fees and expenses of legal advisors and Reporting Accountant of approximately RMB20.4 million, and (c) other fees and expenses of approximately RMB10.0 million. During the Track Record Period, we incurred listing expenses of approximately RMB14.6 million, which was charged to our consolidated statements of profit or loss. We expect to further incur listing expenses of approximately RMB47.4 million upon completion of the Global Offering, out of which approximately RMB14.9 million is expected to be charged to our consolidated statements of profit or loss and approximately RMB32.5 million is expected to be deducted from equity. The listing expenses 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 PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma 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 Global Offering on the net tangible assets of our Group attributable to owners of our Company as of March 31, 2024 as if the Global Offering had taken place on that date, assuming the Over-allotment Option is not exercised.

The unaudited pro forma 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 Global Offering been completed as of March 31, 2024 or any future dates.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as of March 31, 2024	Estimated net proceed from the Global Offering[2]	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company as of March 31, 2024	Unaudited pro forma adjusted net tangible assets per Offer Share	
		(RMB in millions)		*RMB*	*HK$[4]*
Based on an Offer Price of HK$5.72 per Share . . .	212.3	620.7	833.0	1.56	1.73
Based on an Offer Price of HK$5.78 per Share	212.3	627.4	839.7	1.57	1.75

Notes:

(1) The audited consolidated net tangible assets attributable to owners of the Company as of March 31, 2024 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as of March 31, 2024 of approximately RMB212,255,000.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$5.72 and HK$5.78 per Offer Share, being the lower end to higher end of the stated offer price range, respectively, and 129,864,500 Offer Shares expected to be issued under the Global Offering, after deduction of the underwriting fees and other related expenses payable by the Company (excluding listing expenses of RMB14,566,000 which have been accounted for in the Group's consolidated statements of profit or loss prior to March 31, 2024), and takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates.

(3) The unaudited pro forma adjusted net tangible assets per Offer Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 535,523,100 Shares are in issue, assuming the Global Offering had been completed on March 31, 2024, but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates.

(4) For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at rate of HK$1.00 to RMB0.8993. 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) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to March 31, 2024.

FUTURE PLANS

See "Business — Our Strategies" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK$5.75 per Offer Share (being the mid-point of the indicative Offer Price Range of between HK$5.72 and HK$5.78 per Offer Share), we estimate that we will receive net proceeds of approximately HK$677.8 million from the Global Offering after deducting the underwriting commissions and other estimated expenses paid and payable by us in connection with the Global Offering and assuming that the Over-allotment Option is not exercised.

We intend to use our proceeds from the Global Offering for the following purposes:

- Approximately 35% (or HK$237.2 million) is expected to be used for pursuing acquisition and investment opportunities, among which:

  (i) Approximately 70% (or HK$166.1 million) is expected to be used for acquiring a majority stake in established, reputable cookware brands or forming joint venture with them, to enhance our brand positioning by 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. To build our high-end cookware product line, we prioritize acquisitions or joint ventures based on the target's local market standing. For target companies whose sales channels are predominantly online, we require a top-ten ranking within their online category. For those operating mainly offline, we seek at least a 5% market share in the local market. Financially, target companies must demonstrate a positive cash flow, with inventory turnover not exceeding 70 days and average accounts receivable turnover days within two months. According to CIC, in 2023, there were more than 100 target companies in the PRC and over 200 outside the PRC, respectively, that fulfil our selection criteria above. As of the Latest Practicable Date, we have not identified any targets for acquisition or for forming joint ventures.

(ii) Approximately 30% (or HK$71.1 million) is expected to be used for acquiring a majority stake in, or forming joint ventures with, in emerging kitchenware and household goods brands, to broaden our product portfolio. 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. For these potential acquisitions and investments, we will place a high emphasis on product development capabilities. We will assess candidates based on the speed at which they launch new products and the market feedback on these products. Priority will be given to companies that launch more than 300 new products annually, possess independent development capabilities, spend over 5% of their annual revenue on research and development, and have an annual revenue exceeding RMB200 million. According to CIC, in 2023, there were more than 100 target companies in the PRC and over 200 outside the PRC, respectively, that fulfil our selection criteria above. As of the Latest Practicable Date, we have not identified any targets for acquisition or investment.

- Approximately 25% (or HK$169.4 million) is expected to be used for product development. This investment will (i) support research and development efforts to enhance the practical features of our non-stick cookware; (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 establishment of a new R&D laboratory and the hiring of specialized technical personnel.

The following sets forth our R&D plan as of the date of this Prospectus, with specific goals and implementation plans stated:

R&D goal	R&D approach	Implementation plan
1. **Development of Cookware Compatible with Various Stovetops:** Currently, our cookware is compatible with gas stoves and other self-heating stoves, with selected models suitable for induction cooktops. Considering the increasing popularity of induction cooking within our target market, a key R&D goal is to enhance cookware compatibility with induction stovetops. One of the challenges we have identified involves smaller cookware items, such as 16cm milk pans, which have a limited base area and do not perform well with certain induction stoves. To address this issue, we plan to develop a base with improved magnetic properties, ensuring that even small-sized cookware functions operate optimally with induction stoves..	1. **Collaboration with Third Parties:** Our approach involves collaborative R&D with third-party partners, focusing on suppliers who have established a strong relationship with us and are known for their innovative capabilities. 2. **In-house R&D:** Additionally, we plan to set up a dedicated laboratory and recruit both technical engineers and managers. We are looking to assemble a technical team of 20-30 professionals, including two technical managers with extensive experience in leading major R&D projects and engineers with master's degrees in relevant technical fields and up to three years of industry experience. The laboratory will be equipped with advanced testing and manufacturing equipment to support our development needs.	**R&D goals 1 & 2:** We will initially focus on developing cookware bases, assembling a 20-person team for this task, whose estimated annual salaries range from RMB100,000 to RMB500,000, and establishing the necessary laboratory facilities, to be located in Yongkang, China. We expect to launch this R&D phase in 2025, with significant investments planned for laboratory setup, equipment acquisition, and raw materials. By the end of 2026, we aim to finalize the material selection and process development for the bases and start small-scale production in early 2027. By the end of that year, we plan to fully integrate the new bases into our product lines and launch them to market. **R&D goals 3 & 4:** A team of five to 10 R&D staff, whose estimated annual salaries range from RMB200,000 to RMB500,000, will focus on developing and testing new coating materials in collaboration with one or two selected suppliers. We plan to finalize our choice of suppliers by the first half of 2025 and begin collaboration soon afterward. The development and testing phases are scheduled for completion by mid-2026, followed by a phase of collecting market feedback and preparing for a broader launch of the new coatings in 2027. By 2028, we anticipate that these new coatings will be used in over 90% of our cookware range.

R&D goal	R&D approach	Implementation plan
2. **Energy-Efficient Non-Stick Cookware for Induction Stoves:** We aim to create a base that not only enhances magnetic induction but also concentrates heat more efficiently, leading to faster and more energy-efficient cooking.		
3. **Non-Stick Cookware:** Our market research has indicated that customers perceive the limited lifespan–approximately one year–of non-stick pans as a major disadvantage compared to traditional iron cookware. To address this issue, we plan to develop a more durable coating that significantly extends the lifespan of our non-stick pans. We aim to double the durability of these coatings through collaboration with coating suppliers.		
4. **Development of Temperature Shock-Resistant Coatings:** Given the importance of the Chinese market, where quick, high-heat cooking methods like stir-frying are common, we plan to develop new materials and enhancing existing coatings to withstand rapid temperature changes.		

- Approximately 20% (or HK$135.6 million) is expected to be used for sales channel expansion, including (i) cooperating with additional online platforms to increase our market share across key markets, (ii) investing in targeted marketing initiatives to enhance brand awareness, and (iii) assembling and expanding local operations teams to support market integration and expansion.

Specifically, we aim to significantly expand our market presence in Western Europe and Southeast Asia by enhancing brand awareness and market penetration:

(i) **Western Europe Market**: Our brand currently has a growing market penetration in key countries such as Germany, the UK, France, Spain, and Italy, presenting significant opportunities for expansion. According to CIC Report, the cookware industry in Western Europe is notably fragmented. Enhancing our brand awareness will facilitate the process of capturing market share from competitors. Furthermore, with globally recognized cookware brands often originating from Europe, increasing our presence here is strategically important. Our objectives are to significantly increase our market share on key online marketplaces and achieve top rankings in cookware category across major platforms within the next few years.

To boost our visibility in Western Europe market, we plan to engage in targeted online advertising and increase our footprint on local online marketplaces, while also participating in more offline trade shows. We are committed to expanding our Western European operations team and forming specialized units in product design and development. These teams will proactively collaborate with local online marketplaces to ensure better market integration. Funding for these initiatives will primarily be used to enhance our online promotional efforts, including advertisements on platforms, collaborations with YouTube influencers, and social media campaigns. Additionally, the funding will support our participation in local trade shows to gain deeper insights into market preferences and enhance our operations team to meet evolving market needs effectively.

(ii) **Southeast Asia Market**: According to the CIC Report, our brand already enjoys modest recognition in Southeast Asia, where we held a market share of 8.6% in the online cookware market in 2023, in terms of retail sales value. We aim to become the market leader in the cookware category within five years, with a strategic emphasis on Thailand and Vietnam as key expansion markets. Our approach to penetrating these markets involves establishing a dominant presence on popular online platforms such as TikTok, Lazada, and Shopee, while also collaborating with local KOLs for promotions. Similar to our efforts in Western Europe, our plan includes expanding our Southeast Asian operations team and creating specialized teams for product design and development. Due to lower labor costs, we will prioritize the formation of local operations teams in Southeast Asia. Funding for these initiatives will primarily support our online promotional activities to enhance our visibility in the region, alongside establishing local teams in Vietnam and Thailand to manage recruitment and administrative matters. Additionally, the funding will support researching local preferences for cookware, recognizing that consumers in different markets have varying preferences and expectations. We will allocate resources to understand these preferences and expectations in targeted markets through market research, including gathering market feedback to ensure that our product development and launch effectively meet consumer needs.

- Approximately 10% (or HK$67.8 million) is expected to be used for ESG-related investments:

  (i) We plan to establish an ESG research and development (R&D) center that will focus on developing more energy-efficient and environmentally friendly, sustainable materials and molds. This initiative will involve both in-house research and collaborative development with upstream suppliers to enhance the manufacturing process of cookware and improve production efficiency, which will lead to enhanced equipment energy utilization. Investments in this R&D center are expected to be phased over the next three to five years, including investing in experimental R&D equipment, and recruiting skilled R&D personnel to focus on sustainable, recyclable, and biodegradable materials; The team will consist of five to 10 members, including two R&D managers and three to eight R&D team members. The R&D managers will be required to have a master's degree in fine chemical engineering, polymer materials, or a related field, with over 10 years of industry experience, and an estimated annual salary of RMB500,000. The R&D team members should hold a bachelor's degree in relevant fields, with estimated salaries ranging from RMB200,000 to RMB300,000 annually.

  Additionally, an ESG-related laboratory will be established, equipped with basic spraying production lines and polymer chemical material analysis equipment. The primary goal of this laboratory is to develop more efficient die-casting molds to achieve energy savings and emission reductions as well as to enhance product quality. One specific target is to reduce the temperature required for spraying coatings from 300 degrees Celsius to 200 degrees Celsius, thus achieving further energy savings, emission reductions, and cost optimizations;

  (ii) We plan to engage professional ESG consultants to assist us in closely monitoring ESG-related policy developments and shifts in consumer preferences in key regions for our branded business, including the United States, China, Western Europe, Japan, and Southeast Asia. We expect these ESG consultants to provide strategic advice and training to help us adapt to changing ESG dynamics. Furthermore, we will rely on the expertise of seasoned ESG consultants to assist in the annual compilation of our ESG reports. They will offer guidance and training in ESG management practices, ensuring that our company meets the standards for responsible corporate governance and sustainability in the Listing Rules. The estimated annual costs for engaging ESG consultants and experts are approximately RMB1 million;

(iii) We aim to enhance our supply chain by acquiring software and IoT hardware to automate production monitoring, ensuring real-time oversight of our supply chain in both production processes and ESG performance; Specifically, we plan to develop an ESG risk management system for our supply chain. This system will regularly gather data on suppliers, including administrative penalties, serious legal violations, public announcements, employee complaints, and negative media coverage. We will also deploy monitoring equipment for key suppliers to consistently provide feedback on their carbon emissions and their water and electricity consumption to our management system. All this information will be stored and analyzed to monitor the suppliers' environmental sustainability and social responsibility practices. The development of this system will be a collaborative effort with external suppliers and is expected to be completed within three to five years, with an estimated total investment of RMB30 million; and

(iv) Within our Group, we will purchase energy and water-saving equipment to align with our other ESG efforts. We plan to upgrade the lighting in public areas to voice-controlled, energy-efficient models, install infrared temperature-sensing faucets in office washrooms to prevent water waste, and transition our vehicles to new energy models. The estimated investment in such equipment ranges RMB800,000 to RMB900,000 annually.

- Approximately 10% (or HK$67.8 million) is expected to be used for working capital and other general corporate purposes.

In the event that the Offer Price is set at the Maximum Offer Price or the Minimum Offer Price of the indicative Offer Price Range, the net proceeds of the Global Offering will increase or decrease by approximately HK$3.7 million, respectively.

If the Over-allotment Option is exercised in full, we estimate that we will receive net proceeds of approximately (i) HK$789.0 million (assuming an Offer Price of HK$5.78 per Offer Share, being the Maximum Offer Price), (ii) HK$784.7 million (assuming an Offer Price of HK$5.75 per Offer Share, being the mid-point of the indicative Offer Price Range) and (iii) HK$780.4 million (assuming an Offer Price of HK$5.72 per Offer Share, being the Minimum Offer Price).

To the extent that the net proceeds from the Global Offering (including the net proceeds from the exercise of the Over-allotment Option) are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

To the extent that the net proceeds of the Global Offering 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 will only hold such funds in short-term interest-bearing accounts at licensed commercial banks and/or other authorised financial institutions (as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdictions). In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

HONG KONG UNDERWRITERS

CMB International Capital Limited

BNP Paribas Securities (Asia) Limited

Futu Securities International (Hong Kong) Limited

Tiger Brokers (HK) Global Limited

Livermore Holdings Limited

TradeGo Markets Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement. If, for any reason, the Offer Price is not agreed between the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 12,986,500 Hong Kong Offer Shares and the International Offering of initially 116,878,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in "Structure of the Global Offering" as well as to the Over-allotment Option in the case of the International Offering.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares (subject to reallocation) for subscription by the public in Hong Kong in accordance with the terms and conditions of this prospectus and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange and such approval not having been withdrawn and (b) certain other conditions set forth in the Hong Kong Underwriting Agreement (including the Overall Coordinators (on behalf of the Hong Kong Underwriters) and our Company agreeing upon the Offer Price) being satisfied (or, as the case may be, waived), the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable portions of the Hong Kong Offer Shares in aggregate, now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors shall be entitled by notice (orally or in writing) to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if at any time prior to 8:00 a.m. on the Listing Date:

(a) there develops, occurs, exists or comes into force:

(i) any event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a regional, national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak or escalations of infectious disease (but excluding such epidemic, pandemic and infectious disease subsisting as of the date of the Hong Kong Underwriting Agreement which have not materially escalated thereafter), economic sanctions, strikes, labor disputes, other industrial actions, lock-outs, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, civil commotion, riots, severe transport disruption, paralysis in government operation, public disorder, political instability, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, PRC, the Cayman Islands, the British Virgin Islands, the United States, the United Kingdom, any member of the European Union or any other jurisdictions relevant to any member of the Group or the Global Offering (collectively, the "**Relevant Jurisdictions**"); or

(ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change in local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(iv) any general moratorium on commercial banking activities in the Cayman Islands, Singapore, Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at Federal or New York State level or other competent Authority), London, the PRC, the European Union (or any member thereof) or any other Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or

(v) any new laws, or any change or any development involving a prospective change in existing laws or any event or circumstance likely to result in a change or a development involving a prospective change in, or in the interpretation or application by any court or other competent authorities of, existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or

(vi) the imposition of sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, under any sanction laws, or regulations in, Hong Kong, the PRC or any of the Relevant Jurisdictions; or

(vii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the United States dollar, Euro, Hong Kong dollar or the Renminbi against any foreign currencies or a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or Renminbi is linked to any foreign currency), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(viii) any proceedings of any third party being threatened or instigated against any Director, member of the Group or any member of the Controlling Shareholders; or

(ix) any change or development or event involving a prospective change, or a materialization of, any of the risk set out in "Risk Factors" in this prospectus; or

(x) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(xi) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC;

which, individually or in the aggregate, in the sole and absolute opinion of the Overall Coordinators and the Joint Sponsors:

(1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole or to any present or prospective shareholder of the Company in its capacity as such; or

(2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering or dealings in the Offer Shares in the secondary market; or

(3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the Offering Documents (as defined in the Hong Kong Underwriting Agreement); or

(4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Overall Coordinators and the Joint Sponsors:

(i) Mr. Zhang or Ms. Lyu being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(ii) a Director or the chairman or the chief executive officer or the chief financial officer or the chief operating officer of the Company vacating his/her office seeking to retire or being removed from his/her office; or

(iii) an authority or a political body or organization in any of the Relevant Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of the Group, any Director or any director or supervisor (where applicable) of any subsidiary of the Company or the chairman or any member of the Controlling Shareholders; or

(iv) a material contravention by the Company, any member of the Group or any Director of the Listing Rules or applicable laws; or

(v) a prohibition by any competent authority on the Company or any member of the Controlling Shareholders for whatever reason from offering, allotting, issuing or delivering any of the Offer Shares (including any additional Shares which may be issued by the Company pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

(vi) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity provided that the Group shall fail to repay or pay in accordance with such valid demand; or

(vii) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

(viii) that any statement contained in any of the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or in any notices or announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, inaccurate or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Hong Kong Public Offering Documents and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not, in all material respects, fair and honest and based on reasonable assumptions; or

(ix) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material misstatement or omission from any of the Hong Kong Public Offering Documents and/or any notices, advertisements, announcements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(x) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(xi) any event, act or omission which gives or is likely to give rise to any liability of any of the Indemnifying Parties as defined in the Hong Kong Underwriting Agreement; or

(xii) any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, Shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of any member of the Group; or

(xiii) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any material respect, any of the warranties in the Hong Kong Underwriting Agreement; or

(xiv) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares in issue or to be issued pursuant to the Global Offering (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(xv) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(xvi) any of the experts named in this prospectus (other than the Joint Sponsors) has withdrawn or is subject to withdrawal of its consent to the inclusion of its reports, letters and/or opinions (as the case may be) and being named in any of the Offering Documents (as defined in the Hong Kong Underwriting Agreement) or to the issue of any of the Offering Documents; or

(xvii) a material portion of the orders in the book-building process or the investment commitments by any cornerstone investors after signing of the Cornerstone Investment Agreements, have been withdrawn, terminated or cancelled.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or sold or transferred out of treasury by us or form the subject of any agreement to such an issue, or sale or transfer out of treasury within six months from the Listing Date (whether or not such issue of Shares or securities, or transfer of treasury shares will be completed within six months from the Listing Date), except pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option (if any)) or any issue of Shares or securities, or transfer of treasury shares in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, the Controlling Shareholders have jointly and severally undertaken to the Stock Exchange and to our Company that, except in compliance with the requirements of the Listing Rules or pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) or the Stock Borrowing Agreement, he/she/it shall not and shall procure that the relevant registered holder(s) shall not, without the prior written consent of the Stock Exchange:

(a) in the period commencing on the date by reference to which disclosure of his/her/its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date, either directly or indirectly, dispose of, enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner(s) (the "**Relevant Securities**") (save for a pledge or charge of any Relevant Securities as security in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan); and

(b) in the period of six months commencing on the date on which the period referred to in the preceding paragraph expires, either directly or indirectly, dispose of, or enter into any agreement to dispose of or otherwise create, any options, rights, interests or encumbrances in respect of, any of the Relevant Securities (save for a pledge or charge of any Relevant Securities as security in favour of an authorized institution (as defined in the Banking Ordinance) for a bona fide commercial loan), if immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a Controlling Shareholder of our Company.

In addition, in accordance with Note 3 to Rule 10.07(2) of the Listing Rules, the Controlling Shareholders have further jointly and severally undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his/its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it shall:

(a) when he/she/it pledges or charges any Relevant Securities in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of Relevant Securities so pledged or charged; and

(b) when he/she/it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company in writing of such indications.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Our Company, has undertaken to each of the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Manager, the Capital Market Intermediaries and the Hong Kong Underwriters that, except for the offer, allotment and issue of the Offer Shares pursuant to the Global Offering (including pursuant to any exercise of the Over-allotment Option), at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including the date that is six months from the Listing Date (the "**First Six-Month Period**"), our Company will not, without the prior written consent of Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules and only after the consent of any relevant authority (if so required) has been obtained:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or repurchase or create an encumbrance over, or contract or agree to transfer or dispose of or repurchase or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other equity securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe or purchase, any Shares or other equity securities of our Company, or any interest in any of the foregoing), or deposit any Shares or other equity securities of our Company or any interest in any of the foregoing, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any Shares or other equity securities of our Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of our Company, or any interest in any of the foregoing); or

(c) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (a) or (b) above; or

(d) offer to, or agree to, or announce any intention to effect any transaction specified in sub-paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in sub-paragraph (a), (b) or (c) above is to be settled by the delivery of Shares or such other equity securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period).

In the event that, at any time during the period of six months immediately following the expiry of the First Six-Month Period (the "**Second Six-Month Period**"), our Company enters into any of the transactions specified in sub- paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the securities of our Company.

Undertakings by the Controlling Shareholders

Each of the Controlling Shareholders has agreed and undertaken, to each of the Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, during the First Six-Month Period, except as pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) and the Stock Borrowing Agreement or as permitted by Note 2 and 3 to Rule 10.07 of the Listing Rules, without the prior written consent of the Joint Sponsors, the Overall Coordinators (for themselves and on behalf of the Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) he/she/it will not, and will procure any company, entity, nominees or trustees holding or controlling the Shares or any such other securities on his/its behalf not to, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing) beneficially owned by he/she/it as of the Listing Date (the "**Locked-up Securities**") or deposit any Shares or other securities of the Company with a depositary in connection with the issue of depositary receipts, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Locked-up Securities, or (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

(b) he/she/it will not, until the expiry of the Second Six-Month Period, enter into any of the transactions specified in (a)(i), (a)(ii) or (a)(iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he/she/it will cease to be a controlling shareholder (as defined in the Listing Rules) of the Company; and

(c) until the expiry of the Second Six-Month Period, in the event that he/she/it enters into any of the transactions specified in (a)(i), (a)(ii) or (a)(iii) above or offers to or agrees to or announces any intention to effect any such transaction, he/she/it will take all reasonable steps to ensure that he/she/it will not create a disorderly or false market in the securities of the Company.

Indemnity

Our Company and the Controlling Shareholders have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including, amongst others, losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in our Company

Except for their obligations under the Hong Kong Underwriting Agreement, the Hong Kong Underwriters do not have any shareholding interest in our Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company or any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that the Company will enter into the International Underwriting Agreement with, inter alia, the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would agree to purchase, or procure subscribers to purchase, the Offer Shares being offered pursuant to the International Offering (subject to, amongst others, any reallocation between the International Offering and the Hong Kong Public Offering). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

Our Company expects to grant to the International Underwriters, exercisable in whole or in part by the Overall Coordinators at their sole and absolute discretion (on behalf of the International Underwriters), the Over-Allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot, up to an aggregate of 19,479,500 Shares, representing no more than 15.0% of the initial Offer Shares, at the Offer Price under the International Offering, to cover over-allocations in the International Offering, if any.

Commissions and Expenses

All of the Capital Market Intermediaries in the Global Offering will receive an underwriting commission of 2.5% of the aggregate gross proceeds from the Global Offering (the "**Fixed Fees**") (the "**Gross Proceeds**", including any proceeds arising from exercise of any over-allotment option) and the Company may, at its sole and absolute discretion, to pay any one or more of Capital Market Intermediaries an incentive fee of up to 2.0% of the Gross Proceeds (the "**Discretionary Fees**").

Assuming that (1) the Offer Price is HK$5.75 per Share, being the mid-point of the indicative Offer Price range, (2) the Over-allotment Option is not exercised, and (3) the Discretionary Fees are paid in full, the ratio of Fixed Fees and Discretionary Fees payable to Capital Market Intermediaries is 55.55:44.44.

For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters and not the Hong Kong Underwriters.

The aggregate underwriting commissions, incentive fee (if any), documentation fee, listing fees, Stock Exchange trading fee and transaction levy, legal and other professional fees, and printing and other expenses in relation to the Global Offering are estimated to amount to approximately RMB62.0 million (HK$69.0 million) in total (based on the Offer Price of HK$5.75 per Share, being the mid-point of the indicative Offer Price range of HK$5.72 to HK$5.78 per Share and assuming the Over-allotment Option is not exercised), and are payable by our Company.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

- the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

JOINT SPONSORS' INDEPENDENCE

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offering of 12,986,500 Shares (subject to reallocation as mentioned below) for subscription by the public in Hong Kong as described in the paragraph headed "— The Hong Kong Public Offering" below; and

- the International Offering of 116,878,000 Shares (subject to reallocation and the Over-allotment Option as mentioned below) outside the United States (including professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described below in the paragraph headed "— the International Offering" below.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 24.25% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 26.91% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in "— The International Offering — Over-allotment Option" below.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, respectively, may be subject to reallocation as described in "— The Hong Kong Public Offering — Reallocation" below.

THE HONG KONG PUBLIC OFFERING

Number of Hong Kong Offer Shares Initially Offered

We are initially offering 12,986,500 Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10.0% of the total number of the Offer Shares initially available under the Global Offering. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 2.43% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set forth in "— Conditions of the Global Offering" below.

Allocation

Allocation of the Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than the others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of the Offer Shares initially available under the Hong Kong Public Offering (after taking into account any allocation) is to be divided into two pools (subject to adjustment of odd lot size): Pool A and Pool B. Accordingly, the maximum number of Hong Kong Offer Shares initially in Pool A and Pool B will be 6,493,500 Hong Kong Offer Shares and 6,493,000 Hong Kong Offer Shares, respectively. The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee payable) or less. The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee payable).

Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this subsection only, the “price” for the Hong Kong Offer Shares means the price payable on application therein (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of the Offer Shares from either Pool A or Pool B but not from both pools.

Multiple or suspected multiple applications and any application for more than 6,493,000 Hong Kong Offer Shares (being approximately 50% of the 12,986,500 Hong Kong Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation at the discretion of the Overall Coordinators. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of the Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of the Offer Shares offered under the Global Offering if the International Offering is fully subscribed or oversubscribed and certain prescribed total demand levels are reached under the Hong Kong Public Offering as further described below:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 38,959,500 Offer Shares, representing approximately 30.0% of the Offer Shares initially available under the Global Offering;

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 51,946,000 Offer Shares, representing approximately 40.0% of the Offer Shares initially available under the Global Offering; and

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 64,932,500 Offer Shares, representing approximately 50.0% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Overall Coordinators in their sole discretion consider appropriate.

In addition, the Overall Coordinators may in their sole discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering under the condition that (1) the International Offering is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed (irrespective of the number of times); or (2) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Shares validly applied for in the Hong Kong Public Offering representing less than 15 times of the number of Shares initially available for subscription under the Hong Kong Public Offering. In such event, the Overall Coordinators have the authority to re-allocate International Offer Shares originally allocated in the International Offering to the Hong Kong Public Offering in such number as it deems appropriate, provided that in accordance with Chapter 4.14 of the Guide for New Listing Applicants issued by the Stock Exchange, (1) the number of International Offer Shares re-allocated to the Hong Kong Public Offering should not exceed 12,986,500 Shares, such that the total number of Hong Kong Offer Shares will not exceed 25,973,000 Shares, representing twice of the Offer Shares initially available under the Hong Kong Public Offering; and (2) the final Offer Price should be fixed at the lower end of the indicative Offer Price range (i.e. HK$5.72 per Offer Share) stated in this prospectus.

If the Hong Kong Public Offering is not fully subscribed, the Overall Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering in such proportions as the Overall Coordinators deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering may be required to pay, on application (subject to application channels), the maximum price of HK$5.78 per Offer Share in addition to the brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "— Pricing and Allocation" below, is less than the maximum price of HK$5.78 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

THE INTERNATIONAL OFFERING

Number of International Offer Shares Initially Offered

The International Offering will consist of an initial offering of 116,878,000 Offer Shares, representing approximately 90.0% of the total number of Offer Shares initially available under the Global Offering and approximately 21.83% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering and assuming that the Over-allotment Option is not exercised. The International Offering will be offered by us outside of the United States in reliance on Regulation S.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "— Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and the Shareholders as a whole.

The Overall Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Overall Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of the Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the reallocation arrangement described in "— The Hong Kong Public Offering — Reallocation" above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering to the International Offering.

Over-allotment Option

Our Company expects to grant to the International Underwriters, exercisable in whole or in part by the Overall Coordinators at their sole and absolute discretion (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue, up to an aggregate of 19,479,500 Shares, representing no more than 15% of the Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 3.51% of the total number of Shares in issue immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. If the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date, to the extent permitted by applicable laws of Hong Kong or elsewhere. However, there is no obligation on the Stabilizing Manager, its affiliates or any persons acting for it, to conduct any such stabilizing action. Such stabilization action, if taken, (a) will be conducted at the absolute discretion of the Stabilizing Manager (or any person acting for it) and in what the Stabilizing Manager reasonably regards as the best interest of our Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong), as amended, includes (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Shares;

- there is no certainty regarding the extent to which and the time or period for which the Stabilizing Manager, its affiliates or any person acting for it, will maintain such a long position;

- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it may have an adverse impact on the market price of the Shares;

- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on Saturday, October 26, 2024, being the 30th day after the date of closing of the application lists under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilization period.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Overall Coordinators, their affiliates or any person acting for them may cover such over-allocation by using Shares purchased by the Stabilizing Manager, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or through the stock borrowing arrangements mentioned below or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong on stabilization. The number of Shares which can be over-allocated will not exceed the number of the Shares which may be allotted and/or issued pursuant to the exercise in full of the Over-allotment Option, being 19,479,500 Shares, representing approximately 15.0% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilizing Manager (or its affiliates or any person acting for it) may choose to borrow up to 19,479,500 Shares (being the maximum number of Shares which may be sold pursuant to the exercise of the Over-allotment Option and representing approximately 15.0% of the number of Offer Shares initially available under the Global Offering) from Yili Investment Holdings Ltd, pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilizing Manager (or its affiliates or any person acting for it) and Yili Investment Holdings Ltd on or about the Price Determination Date. If the Stock Borrowing Agreement is entered into, the borrowing of Shares will only be effected by the Stabilizing Manager (or its affiliates or any person acting for it) for the settlement of over-allocations in the International Offering and such borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set out in Rule 10.07(3) of the Listing Rules, being that the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering, are complied with.

The same number of Shares so borrowed must be returned to Yili Investment Holdings Ltd on the third business day following the earlier of (a) the last day the Over-allotment Option may be exercised and (b) the day on which the Over-allotment Option is exercised in full. The Shares borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Yili Investment Holdings Ltd by the Stabilizing Manager (or its affiliates or any person acting for it) in relation to such Shares borrowing arrangement.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between our Company and the Overall Coordinators on the Price Determination Date, which is expected to be on or before Friday, September 27, 2024 and in any event no later than 12:00 noon on Friday, September 27, 2024.

The Offer Price will not be more than HK$5.78 per Offer Share and is expected to be not less than HK$5.72 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

If, for any reason, the Offer Price is not agreed between the Overall Coordinators (for themselves and on behalf of the Underwriters) and us by 12:00 noon on Friday, September 27, 2024, the Global Offering will not proceed and will lapse.

Reduction in Offer Price and/or number of Offer Shares

The Overall Coordinators (on behalf of the Hong Kong Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range below as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause there to be published on the website of our Company (**www.mycarote.com**) and the website of the Stock Exchange (**www.hkexnews.hk**) notices of the reduction. As soon as practicable of such reduction of the number of Offer Shares and/or the indicative Offer Price range, our Company will cancel the Global Offering and relaunch the offer and issue a supplemental Prospectus updating investors of such reduction together with an update of all financial and other information in connection with such change. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by our Company and the Overall Coordinators, will be fixed within such revised Offer Price range.

Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company and the Overall Coordinators, will under no circumstances be set outside the Offer Price range stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Overall Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10.0% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Overall Coordinators.

Save for any subsequent changes in the number of Offer Shares and/or the Offer Price range, the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of and results of allocations of Offer Shares under the Hong Kong Public Offering are expected to be announced on Monday, September 30, 2024 on the website of our Company (**www.mycarote.com**) and the website of the Stock Exchange (**www.hkexnews.hk**).

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

We expect that we will enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares will be conditional on:

(a) the Listing Committee granting the approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;

(b) the Offer Price having been duly determined between our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters);

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective Underwriting Agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Overall Coordinators by 12:00 noon on Friday, September 27, 2024, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will as soon as possible publish or cause to be published a notice of the lapse of the Hong Kong Public Offering on the website of our Company (**www.mycarote.com**) and the website of the Stock Exchange (**www.hkexnews.hk**). In such eventuality, all application monies will be returned, without interest, on the terms set forth in the section headed "How to Apply for Hong Kong Offer Shares — D. Dispatch/Collection of Share Certificates and Refund of Application Monies" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended.

Share certificates issued in respect of the Hong Kong Offer Shares will only become valid evidence of title at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on the Listing Date.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including Shares which may be issued pursuant to the exercise of the Over-allotment Option).

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interests.

DEALING IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, October 2, 2024 it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, October 2, 2024.

The Shares will be traded on the Main Board of the Stock Exchange in board lots of 500 Shares each. The stock code of the Shares will be 2549.

IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application.

This Prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "HKEXnews > New Listings > New Listing Information" section, and our website at www.mycarote.com.

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

A. APPLICATION FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older;
- have a Hong Kong address *(for the* ***White Form eIPO*** *service only)*; and
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act).

Unless permitted by the Listing Rules or a waiver and/or consent has been granted by the Stock Exchange to us, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder of the Company and/or any of its subsidiaries;
- are a Director or chief executive officer of the Company and/or any of its subsidiaries;
- are a close associate (as defined in the Listing Rules) of any of the above; and

- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 am on Monday, September 23, 2024 and end at 12:00 noon on Thursday, September 26, 2024 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
White Form eIPO Service	**www.eipo.com.hk**	Applicants who would like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Monday, September 23, 2024 to 11:30 a.m. on Thursday, September 26, 2024, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Thursday, September 26, 2024, Hong Kong time.
HKSCC EIPO channel	Your **broker** or **custodian** who is a HKSCC Participant will submit electronic application instruction(s) on your behalf through HKSCC's FINI system in accordance with your instruction.	Applicants who would not like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your **broker** or **custodian** for the earliest and latest time for giving such instructions, as this may vary by **broker** or **custodian**.

The **White Form eIPO** service and the **HKSCC EIPO** channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **White Form eIPO** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the **electronic application instructions** are given, you shall be deemed to have declared that only one set of **electronic application instructions** has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of **electronic application instructions** for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **White Form eIPO** service, you are deemed to have authorized the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of **White Form eIPO service**.

By instructing your **broker** or **custodian** to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through **HKSCC EIPO** channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

3. Information Required to Apply

You must provide the following information with your application:

For Individual/Joint Applicants	For Corporate Applicants
• Full name(s)[2] as shown on your identity document	• Full name(s)[2] as shown on your identity document
• Identity document's issuing country or jurisdiction	• Identity document's issuing country or jurisdiction
• Identity document type, with order of priority: i. HKID card; or ii. National identification document; or iii. Passport; and	• Identity document type, with order of priority: i. Legal entity identifier ("**LEI**") registration document; or ii. Certificate of incorporation; or iii. Business registration certificate; or iv. Other equivalent document; and
• Identity document number	• Identity document number

Notes:

(1) If you are applying through the **White Form eIPO** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card. The number of joint applicants may not exceed four. If you are a firm, the applicant must be in the individual members' names.

(2) The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for Hong Kong Offer Shares. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.

(3) If the applicant is a trustee, the client identification data ("**CID**") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.

(4) The maximum number of joint applicants on FINI is capped at four*(Note)* in accordance with market practice.

(5) If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

(6) If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

Note: Subject to change, if the Company's Articles of Association and applicable company law prescribe a lower cap.

For those applying through **HKSCC EIPO** channel, and making an application under a power of attorney, we and the Overall Coordinators, as our agent, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size	:	500 Shares
Permitted number of Hong Kong Offer Shares for application and amount payable on application/successful allotment	:	Hong Kong Offer Shares are available for application in specified board lot sizes only. See to the amount payable associated with each specified board lot size in the table below.

The maximum Offer Price is HK$5.78 per Share.

If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your **broker** or **custodian**, as determined based on the applicable laws and regulations in Hong Kong.

By instructing your **broker** or **custodian** to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the Designated Bank for your **broker** or **custodian**.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares.

Carote Ltd

卡羅特（商業）有限公司

(Stock Code: 2549)

(HK$5.78 per Hong Kong Offer Share)

NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS

No. of Hong Kong Offer Shares applied for	Amount payable(2) on application	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application
	HK$		*HK$*		*HK$*		*HK$*
500	2,919.14	7,000	40,868.04	50,000	291,914.56	700,000	4,086,803.91
1,000	5,838.30	8,000	46,706.33	60,000	350,297.47	800,000	4,670,633.05
1,500	8,757.43	9,000	52,544.62	70,000	408,680.39	900,000	5,254,462.16
2,000	11,676.58	10,000	58,382.92	80,000	467,063.30	1,000,000	5,838,291.30
2,500	14,595.73	15,000	87,574.37	90,000	525,446.22	2,000,000	11,676,582.60
3,000	17,514.88	20,000	116,765.82	100,000	583,829.14	3,000,000	17,514,873.90
3,500	20,434.02	25,000	145,957.28	200,000	1,167,658.25	4,000,000	23,353,165.20
4,000	23,353.16	30,000	175,148.74	300,000	1,751,487.39	5,000,000	29,191,456.50
4,500	26,272.31	35,000	204,340.19	400,000	2,335,316.52	6,493,000(1)	37,908,025.41
5,000	29,191.45	40,000	233,531.65	500,000	2,919,145.66		
6,000	35,029.75	45,000	262,723.11	600,000	3,502,974.78		

(1) Maximum number of Hong Kong Offer Share you may apply for.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants(as defined in the Listing Rules) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed "— A. Application for Hong Kong Offer Shares — 3. Information Required to Apply" in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **White Form eIPO** service, (ii) **HKSCC EIPO** channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **White Form eIPO** service or **HKSCC EIPO** channel, you or the person(s) for whose benefit you have made the application shall not apply for any Offer Shares.

6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **White Form eIPO** service or **HKSCC EIPO** channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

(a) undertake to execute all relevant documents and instruct and authorize us and/or the Overall Coordinators, as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the **HKSCC EIPO** channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;

(b) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **White Form eIPO** service (or as the case may be, the agreement you entered into with your **broker** or **custodian**), and agree to be bound by them;

(c) (if you are applying through the **HKSCC EIPO** channel) agree to the arrangements, undertakings and warranties under the participant agreement between your **broker** or **custodian** and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;

(d) confirm that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;

(e) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;

(f) agree that the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering (the "**Relevant Persons**"), the Hong Kong Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;

(g) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the Hong Kong Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed "— G. Personal Data — 3. Purposes" and "— G. Personal Data — 4. Transfer of personal data" in this section;

(h) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;

(i) agree that subject to section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the Hong Kong Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed "— B. Publication of Results" in this section;

(j) confirm that you are aware of the situations specified in the paragraph headed "— C. Circumstances In Which You Will Not Be Allocated Hong Kong Offer Shares" in this section;

(k) agree that your application or HKSCC Nominees' application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(l) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(m) confirm that (i) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by the Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates; and (ii) you are not accustomed or will not be accustomed to taking instructions from the Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in your name or otherwise held by you;

(n) warrant that the information you have provided is true and accurate;

(o) confirm that you understand that we and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(p) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(q) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving electronic application instructions to HKSCC directly or indirectly or through the application channel of the **White Form eIPO** Service Provider or by any one as your agent or by any other person; and

(s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving electronic application instructions to HKSCC and the **White Form eIPO** Service Provider and (ii) you have due authority to give electronic application instructions on behalf of that other person as its agent.

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

Platform		Date/Time
Applying through the **White Form eIPO** service or **HKSCC EIPO** channel:		
Website	The designated results of allocations website at **www.iporesults.com.hk** **(alternatively: www.eipo.com.hk/eIPOAllotment**) with a "search by ID" function.	24 hours, from 11:00 p.m. on Monday, September 30, 2024 to 12:00 midnight on Sunday, October 6, 2024 (Hong Kong time)
	The full list of (i) wholly or partially successful applicants using the **White Form eIPO** service and **HKSCC EIPO** channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed on the "Allotment Results" page of the **White Form eIPO** service at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**).	
	The Stock Exchange's website at **www.hkexnews.hk** and our website at **www.mycarote.com** which will provide links to the above mentioned websites of the Hong Kong Share Registrar.	No later than 11:00 p.m. on Monday, September 30, 2024 (Hong Kong time)
Telephone	+852 2862 8555 — the allocation results telephone enquiry line provided by the Hong Kong Share Registrar	between 9:00 a.m. and 6:00 p.m., from Wednesday, October 2, 2024 to Monday, October 7, 2024 (Hong Kong time) (excluding weekend and public holidays in Hong Kong)

For those applying through **HKSCC EIPO** channel, you may also check with your **broker** or **custodian** from 6:00 p.m. on Friday, September 27, 2024 (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Friday, September 27, 2024 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allocation Announcement

We expect to announce the results of the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.mycarote.com** by no later than 11:00 p.m. on Monday, September 30, 2024 (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If we or our agents exercise our discretion to reject your application:

We, the Overall Coordinators, the Hong Kong Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed "— A. Application for Hong Kong Offer Shares — 5. Multiple Applications Prohibited" in this section on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated; or
- we or the Overall Coordinators believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their Designated Bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their Designated Bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its Designated Bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its Designated Bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offering. Hong Kong Offer Shares applied for by you through the **broker** or **custodian** may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the Hong Kong Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

D. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **HKSCC EIPO** channel where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Share certificates will only become valid evidence of title at 8:00 a.m. on Wednesday, October 2, 2024 (Hong Kong time), provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid evidence of title do so entirely at their own risk.

The right is reserved to retain any Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

	White Form eIPO service	HKSCC EIPO channel
Dispatch/collection of Share certificate[1]		
For physical share certificates of 1,000,000 or more Offer Shares issued under your own name	Collection in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong	Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account.
	Time: from 9:00 a.m. to 1:00 p.m. on Wednesday, October 2, 2024 (Hong Kong time)	No action by you is required.
	If you are an individual, you must not authorize any other person to collect for you. If you are a corporate applicant, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop.	
	Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.	
	Note: If you do not collect your Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk.	

	White Form eIPO service	HKSCC EIPO channel
For physical share certificates of less than 1,000,000 Offer Shares issued under your own name	Your Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk. **Date**: Monday, September 30, 2024	

Refund mechanism for surplus application monies paid by you

Date	Wednesday, October 2, 2024	Subject to the arrangement between you and your **broker** or **custodian**
Responsible party . .	Hong Kong Share Registrar	Your broker or custodian
Application monies paid through single bank account	White Form e-Refund payment instructions to your designated bank account	Your **broker** or **custodian** will arrange refund to your designated bank account subject to the arrangement between you and it
Application monies paid through multiple bank accounts	Refund check(s) will be dispatched to the address as specified in your application instructions by ordinary post at your own risk	

Note:

1. Except in the event of any of the Severe Weather Signals (as defined below) in force in Hong Kong in the morning on Monday, September 30, 2024 rendering it impossible for the relevant Share certificates to be dispatched to HKSCC in a timely manner, the Company shall procure the Hong Kong Share Registrar to arrange for delivery of the supporting documents and Share certificates in accordance with the contingency arrangements as agreed between them. You may refer to "— E. Severe Weather Arrangements" in this section.

E. SEVERE WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Thursday, September 26, 2024 if, there is/are:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- Extreme Conditions,

(collectively, "**Severe Weather Signals**"),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, September 26, 2024.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have Severe Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made and published on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.mycarote.com** of the revised timetable.

If a Severe Weather Signal is hoisted on Monday, September 30, 2024, the Hong Kong Share Registrar will make appropriate arrangements for the delivery of the Share certificates to the CCASS Depository's service counter so that they would be available for trading on Wednesday, October 2, 2024.

If a Severe Weather Signal is hoisted on Monday, September 30, 2024, the dispatch of physical Share certificates of less than 1,000,000 Offer Shares issued under your own name will be made by ordinary post when the post office re-opens after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of Monday, September 30, 2024 or on Wednesday, October 2, 2024).

If a Severe Weather Signal is hoisted on Wednesday, October 2, 2024, physical Share certificates of 1,000,000 Offer Shares or more issued under your own name are available for collection in person at the Hong Kong Share Registrar's office after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of Wednesday, October 2, 2024 or on Thursday, October 3, 2024.

Prospective investors should be aware that if they choose to receive physical Share certificates issued in their own name, there may be a delay in receiving the Share certificates.

F. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of the Company and the Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to the Company or its agents and the Hong Kong Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of the Company or the Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform the Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check and **White Form** e-Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of the Company;
- verifying identities of applicants for and holders of the Shares and identifying any duplicate applications for the Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Share Registrar to discharge their obligations to applicants and holders of the Shares and/or regulators and/or any other purposes to which applicants and holders of the Shares may from time to time agree.

4. Transfer of personal data

Personal data held by the Company and the Hong Kong Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but the Company and the Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisors, receiving bank and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the Hong Kong Share Registrar, in each case for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the Hong Kong Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

5. Retention of personal data

The Company and the Hong Kong Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and correction of personal data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether the Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company and the Hong Kong Share Registrar, at their registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the company secretary, or the Hong Kong Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report set out on pages I-1 to I-4, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. 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.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CAROTE LTD AND BNP PARIBAS SECURITIES (ASIA) LIMITED AND CMB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Carote Ltd (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-5 to I-116, which comprises the consolidated statements of financial position as at December 31, 2021, 2022 and 2023 and March 31, 2024, the Company's statements of financial position as at December 31, 2023 and March 31, 2024, 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 and the three months ended March 31, 2024 (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-5 to I-116 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated September 23, 2024 (the "**Prospectus**") in connection with the initial listing 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 2.1 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.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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 2.1 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 March 31, 2024 and the consolidated financial position of the Group as at December 31, 2021, 2022 and 2023 and March 31, 2024 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 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended March 31, 2023 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 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-5 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which contains information about the dividends paid by Carote Ltd 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
September 23, 2024

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 (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	Year ended December 31,			Three months ended March 31,	
		2021	2022	2023	2023	2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue	*5*	675,345	768,482	1,583,082	291,829	502,917
Cost of sales	*8*	(548,822)	(493,192)	(1,017,941)	(181,131)	(293,500)
Gross profit		126,523	275,290	565,141	110,698	209,417
Selling expenses	*8*	(56,686)	(108,758)	(245,400)	(37,241)	(84,729)
Administrative expenses	*8*	(20,325)	(20,727)	(31,636)	(5,738)	(16,179)
Research and development expenses	*8*	(18,124)	(20,822)	(35,885)	(6,556)	(9,652)
Net (impairment losses)/reversal of impairment on financial assets	*3.1*	(121)	(143)	274	88	5
Other income	*6*	519	1,745	3,194	1	860
Other gains/(losses) — net	*7*	913	(2,443)	15,500	1,967	5,166
Operating profit		32,699	124,142	271,188	63,219	104,888
Finance income	*10*	4,862	5,453	7,447	1,265	835
Finance costs	*10*	(1,518)	(3,145)	(322)	74	(96)
Finance income — net		3,344	2,308	7,125	1,339	739
Profit before income tax		36,043	126,450	278,313	64,558	105,627
Income tax expense	*11*	(4,388)	(17,962)	(41,839)	(8,674)	(17,113)
Profit for the year/period		31,655	108,488	236,474	55,884	88,514
Profit attributable to:						
Owners of the Company		31,718	108,770	237,132	55,869	88,520
Non-controlling interests		(63)	(282)	(658)	15	(6)
		31,655	108,488	236,474	55,884	88,514
Earnings per share attributable to the equity holders of the Company (in RMB)						
Basic and diluted	*12*	0.08	0.27	0.59	0.14	0.22

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended December 31,			Three months ended March 31,	
		2021	2022	2023	2023	2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Profit for the year/period		31,655	108,488	236,474	55,884	88,514
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	(188)	500
Item that will not be reclassified to profit or loss						
Currency translation differences on translation of the Company		—	—	(42)	—	(23)
Other comprehensive (loss)/income for the year/period, net of tax		(405)	2,456	3,020	(188)	477
Total comprehensive income for the year/period		31,250	110,944	239,494	55,696	88,991
Total comprehensive income attributable to:						
Owners of the Company		31,311	111,222	240,149	55,670	88,997
Non-controlling interests		(61)	(278)	(655)	26	(6)
		31,250	110,944	239,494	55,696	88,991

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at December 31,			As at March 31,
		2021	2022	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	17,337	115,305	10,955	10,081
Right-of-use assets	15	60,984	58,447	6,905	6,098
Long-term bank time deposits	20	104,515	81,147	80,146	184,804
Deferred tax assets	29	1,136	3,103	6,865	4,780
Investments accounted for using the equity method	33	—	—	*	—
		183,972	258,002	104,871	205,763
Current assets					
Inventories	16	30,493	42,171	108,282	152,963
Trade receivables	17	63,628	55,307	73,854	71,798
Prepayments, other receivables and other current assets	18	14,679	26,536	24,034	24,639
Short-term bank time deposits	20	—	77,392	88,952	75,841
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	264,169
		256,068	295,088	531,186	589,410
Total assets		440,040	553,090	636,057	795,173
EQUITY					
Share capital	21	—	—	1,460	1,460
Share premium	21	—	—	137,208	37,208
Shares held for shares award scheme	21	—	—	(6)	(6)
Reserves	22	28,179	46,636	(244,115)	(243,044)
Retained earnings		42,345	90,985	328,117	416,637
		70,524	137,621	222,664	212,255
Non-controlling interests		(90)	(368)	(43)	(49)
Total equity		70,434	137,253	222,621	212,206

* Represents that the amount is less than RMB1,000.

	Note	As at December 31,			As at March 31,
		2021	2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES					
Non-current liabilities					
Borrowings	*27*	—	37,323	—	—
Lease liabilities	*15*	2,189	803	2,028	2,052
Deferred tax liabilities	*29*	25	—	303	175
Long-term payables	*28*	8,474	—	—	—
		10,688	38,126	2,331	2,227
Current liabilities					
Trade and bills payables	*25*	281,968	276,232	358,634	425,383
Other payables and accruals	*26, 28*	31,824	62,535	11,206	114,717
Current income tax liabilities		4,693	18,352	33,522	32,865
Borrowings	*27*	39,207	19,206	5,004	5,004
Lease liabilities	*15*	1,226	1,386	2,739	2,771
		358,918	377,711	411,105	580,740
Total liabilities		369,606	415,837	413,436	582,967
Total equity and liabilities		440,040	553,090	636,057	795,173
Net current (liabilities)/assets		(102,850)	(82,623)	120,081	8,670

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Note	As at December 31, 2023	As at March 31, 2024
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Investments in subsidiaries	*1.2(b)*	139,580	140,174
Current assets			
Prepayments, other receivables and other current assets	*18*	1,987	4,405
Cash and cash equivalents	*20*	75	1,588
		2,062	5,993
Total assets		141,642	146,167
EQUITY			
Share capital	*21*	1,460	1,460
Share premium	*21*	137,208	37,208
Shares held for shares award scheme	*21*	(6)	(6)
Reserves	*22*	1,556	2,127
Accumulated losses		(1,283)	(6,869)
Total equity		138,935	33,920
LIABILITIES			
Current liabilities			
Other payables and accruals	*26*	2,707	112,247
Total Liabilities		2,707	112,247
Total equity and liabilities		141,642	146,167
Net current liabilities		645	106,254

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		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, 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						Non-controlling interests	Total equity
		Share capital	Share premium	Shares held for shares award scheme	Reserves	Retained earnings	Total		
		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 of the Company		—	—	—	(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

	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, 2024		1,460	137,208	(6)	(244,115)	328,117	222,664	(43)	222,621
Comprehensive income/(loss)									
Profit/(loss) for the period		—	—	—	—	88,520	88,520	(6)	88,514
Currency translation differences on translation of foreign operations		—	—	—	500	—	500	—	500
Currency translation differences on translation of the Company		—	—	—	(23)	—	(23)	—	(23)
Total comprehensive income/(loss)		—	—	—	477	88,520	88,997	(6)	88,991
Transaction with owners in their capacity as owners									
Dividend distribution to the shareholders	*13*	—	(100,000)	—	—	—	(100,000)	—	(100,000)
Share-based payment	*23*	—	—	—	594	—	594	—	594
Transaction with owners in their capacity as owners		—	(100,000)	—	594	—	(99,406)	—	(99,406)
As at March 31, 2024		1,460	37,208	(6)	(243,044)	416,637	212,255	(49)	212,206

	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*
(Unaudited)									
As at January 1, 2023		—	—	—	46,636	90,985	137,621	(368)	137,253
Comprehensive income/(loss)									
Profit for the period		—	—	—	—	55,869	55,869	15	55,884
Currency translation differences on translation of foreign operations		—	—	—	(199)	—	(199)	11	(188)
Total comprehensive income/(loss)		—	—	—	(199)	55,869	55,670	26	55,696
Transaction with owners in their capacity as owners									
Deemed distribution to shareholders pursuant to the disposal of assets	22	—	—	—	(89,360)	—	(89,360)	—	(89,360)
Transaction with owners in their capacity as owners		—	—	—	(89,360)	—	(89,360)	—	(89,360)
As at March 31, 2023		—	—	—	(42,923)	146,854	103,931	(342)	103,589

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,			Three months ended March 31,	
	Note	**2021**	**2022**	**2023**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Cash flows from operating activities						
Cash generated from/(used in) operations	*30*	124,352	134,761	274,256	(19,904)	137,930
Income taxes paid		(2,382)	(6,112)	(30,305)	(9,515)	(15,813)
Net cash generated from/(used in) operating activities		121,970	128,649	243,951	(29,419)	122,117
Cash flows from investing activities						
Payments for property, plant and equipment		(13,714)	(117,396)	(5,863)	(1,541)	—
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	43,736	29,000
Payments for long-term bank time deposits		(29,000)	(22,608)	(54,500)	—	(104,000)
Payments for short-term bank time deposits		—	(77,392)	(88,952)	—	(20,700)
Interest received from time deposits		4,863	5,453	7,447	1,265	3,469
Proceeds from disposal of financial assets at fair value through profit or loss	*3.3*	544,420	645,912	260,264	40,188	—
Payments for financial assets at fair value through profit or loss	*3.3*	(562,940)	(655,000)	(210,101)	(10,101)	—
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	—	7
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	73,547	(92,224)

	Note	Year ended December 31, 2021	Year ended December 31, 2022	Year ended December 31, 2023	Three months ended March 31, 2023	Three months ended March 31, 2024
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	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)	(47)	(40)
Payments for listing expenses		—	—	(1,987)	(47)	(1,624)
Principal payments and interest paid of lease liabilities		(1,628)	(1,449)	(3,698)	(23)	(30)
Net proceeds received by the Group pursuant to deemed distribution to shareholders	22(e)	—	—	38,214	(528)	—
Repayment of loans from related parties	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)	(645)	(1,694)
Net increase/(decrease) in cash and cash equivalents		61,459	(54,718)	193,818	43,483	28,199
Cash and cash equivalents at beginning of the year/period	20	36,268	97,738	42,480	42,480	236,064
Effects of exchange rate changes on cash and cash equivalents		11	(540)	(234)	(212)	(94)
Cash and cash equivalents at end of the year/period	20	97,738	42,480	236,064	85,751	264,169

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 is 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 in August 2023 as described in Note 1.2(a) (the "**Reorganization**"), 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 "**Listing 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

(a) The Reorganization

Prior to the incorporation of the Company and the completion of the Reorganization as described below, the Listing 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 listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**IPO**"), the Group underwent the Reorganization, pursuant to which the Operating Companies and Listing Business were transferred to the Company. The Reorganization mainly involved the following steps:

(i) 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 Limited Partnership transferred 419,900 shares to Yili Investment. Subsequently on the same date, the Company issued another 15,080,100 ordinary shares to Yili Investment.

(ii) In March 2023, Carote Group Limited ("**Carote Group**") was incorporated as a limited liability company in Hong Kong and a direct wholly owned subsidiary of the Company.

(iii) In August 2023, Carote Group 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 Group 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:

Name of entity	Place and date of incorporation/ establishment	Principal activities and place of operation	Registered capital	Effective interest held by the Group					Note
				As at December 31,			As at March 31, 2024	As at the report date	
				2021	2022	2023			
Directly held:									
Carote Group Limited ("**Carote Group**")	Hong Kong/ March 7, 2023	Investment holding, in Hongkong	USD100,000	NA	NA	100%	100%	100%	(i)
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%	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%	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%	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%	N/A	(i)/(v)
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%	0%	0%	(i)/(iii)

Name of entity	Place and date of incorporation/ establishment	Principal activities and place of operation	Registered capital	Effective interest held by the Group					Note
				As at December 31,			As at March 31, 2024	As at the report date	
				2021	2022	2023			
Zhejiang Gangle Kitchenware Co., Ltd 浙江港樂廚具有限公司 ("**Gangle Kitchenware**").	The PRC/ May 11, 2021	Procurement and sales of kitchenware, in the PRC	RMB3,000,000	100%	100%	NA	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%	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%	100%	(ii)
Carote (Singapore) Management Pte. Ltd	Singapore/ March 12, 2021	Procurement and sales of kitchenware, in Singapore	USD100,000	100%	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%	100%	(i)
Carote International Limited (UK)	UK/ July 22, 1996	Procurement and sales of kitchenware, in the UK	—	100%	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%	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 March 31, 2024	As at the report date	Note
Carote (Philippines) Kitchenware Ltd Corp.	Philippines/ August 16, 2021	Procurement and sales of kitchenware, in Philippines	PHP10,000,000	98%	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%	100%	(i)
Carote USA LLC ("**Carote USA**")	USA/ December 2, 2019	Procurement and sales of kitchenware, in the USA	—	100%	100%	100%	100%	100%	(i)
Carote Korea Co., Ltd.	South Korea/ December 6, 2019	Procurement and sales of kitchenware, in South Korea	KRW1,000,000	100%	100%	100%	100%	100%	(i)
Carote Kitchenware India Private Limited	India/ August 21, 2019	Procurement and sales of kitchenware, in India	RE1,000,000	80%	80%	100%	100%	100%	(i)
PT Carote Kitchenware Indonesia	Indonesia/ November 14, 2019	Procurement and sales of kitchenware, in Indonesia	RP6,000,000,000	100%	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%	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 March 31, 2024	As at the report date	Note
Carote Kitchenware (Australia) PTY Ltd ("**Carote Australia**").	Australia/ May 22, 2018	Procurement and sales of kitchenware, in Australia	AUD100	80%	80%	100%	100%	100%	(i)
Carote Deutschland AG	Germany/ October 24, 2023	Procurement and sales of kitchenware, in Germany	EUR50,000	NA	NA	100%	100%	100%	(i)
Carote (Canada) Kitchenware Ltd.	Canada/ April 24, 2024	Procurement and sales of kitchenware, in Canada	CAD10,000	NA	NA	NA	NA	100%	(i)(vi)
Jinhua Carote kitchenware Co., Ltd 金華卡羅特廚具有限公司 .	China/ July 25, 2024	Procurement and sales of kitchenware, in the PRC	RMB5,000,000	100%	100%	100%	100%	100%	(i)/(vii)

(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, December 31, 2022 and December 31, 2023 were audited by Shine Wise & Co. CPA.
The statutory financial statements of Carote (Malaysia) Sdn. Bhd. for the year ended December 31, 2021, December 31, 2022 and December 31, 2023 were audited by SH YEOH & CO PLT.

(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 a subsidiary of the Company and became an associate of the Company.
In February 2024, the remaining 40% shares of Zhejiang Taige Electric were transferred to a third party. After completion of the transaction, Zhejiang Taige Electric was no longer a associate of the Company. Further details are included in Note 33.

(iv) Gangle Kitchenware was no longer a subsidiary of the Company since February 2023, further details are included in Note 22.

(v) Hangzhou Carote Home Furnishings Co., Ltd had been deregistered in April 2024.

(vi) Carote (Canada) Kitchenware Ltd. had been registered in April 2024.

(vii) Jinhua Carote kitchenware Co., Ltd had been registered in July 2024.

(b) Investments in subsidiaries — the Company

	As at December 31, 2023	As at March 31, 2024
	RMB'000	*RMB'000*
Investments in subsidiaries — capital contribution from shareholders for obtaining 100% equity interest of Operating Companies *(Note 21)*	137,982	137,982
Investments in subsidiaries — deemed investments arising from share-based payment *(Note 22)*	1,598	2,192
	139,580	140,174

1.3 Basis of presentation

Immediately prior to and after the Reorganization, the Listing 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 Listing 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 Listing Business, with the assets and liabilities of the Group recognized and measured at the carrying amounts of the Listing 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 years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024, 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 years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024 have been adopted by the Group consistently throughout the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024.

(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 21	Lack of Exchangeability	January 1, 2025
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instructions	January 1, 2026
HKFRS 18	Presentation and disclosure in financial statements	January 1, 2027
HKFRS 19	Subsidiaries without public accountability: disclosures	January 1, 2027
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 years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024.

(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 entity's 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 and March 31, 2023 and 2024, if RMB had strengthened/weakened by 5% against US$ with all other variables held constant, the profit before income tax for the year/period would have been RMB2,545,000, RMB2,490,000, RMB6,408,000, RMB2,150,000 and RMB11,351,000 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 and March 31, 2023 and 2024, 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, approximately RMB nil 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 bank balances

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 and March 31, 2024 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)

March 31, 2024	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)*	71,806	—	—	—	91	71,897
Loss allowance *(RMB'000)*	(8)	—	—	—	(91)	(99)

The loss allowances for trade receivables as at December 31, 2021, 2022 and 2023 and March 31, 2024 and reconcile to the opening loss allowances as follows:

	Year ended December 31,			Three months ended March 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Opening loss allowance at January 1,	14	95	187	100
Credit losses allowance recognized/(reversed), net	81	92	(87)	(1)
Closing loss allowance at December/March 31,	95	187	100	99

Other receivables

The loss allowance for other receivables as at December 31, 2021, 2022 and 2023 and March 31, 2024 reconciles to the opening loss allowance as follows:

	Year ended December 31,			Three months ended March 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Opening loss allowance at January 1,	110	150	201	14
Credit losses allowance recognized/(reversed), net	40	51	(187)	(4)
Closing loss allowance at December/March 31,	150	201	14	10

(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 (including interest payables) *(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 (including interest payables) *(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 and 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 (including interest payables) *(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**

	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 March 31, 2024					
Borrowings (including interest payables) *(Note 27)*	5,069	—	—	5,069	5,004
Trade and bills payables *(Note 25)*	425,383	—	—	425,383	425,383
Other payables and accruals (excluding payroll and welfare payables and other tax payables) *(Note 26)*	106,452	—	—	106,452	106,452
Lease liabilities *(Note 15)*	2,919	2,100	—	5,019	4,823
	539,823	**2,100**	**—**	**541,923**	**541,662**

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 and March 31, 2024:

	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	—	—	—	—
At March 31, 2024				
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 years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024.

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	—
Includes unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period 2023	—

There were no financial asset at fair value through profit or loss since December 31, 2023.

Further details of financial assets at FVPL for the years ended December 31, 2021, 2022 and 2023, and the three months ended March 31, 2024 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

As at December 31, 2021 and 2022, if expected rate of return higher/lower by 0.05%, fair value of financial assets at FVPL would have been approximately RMB20,000 and RMB25,000 higher/lower respectively.

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) 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.

(b) 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.

(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 IPO. The Group has estimated the IPO's probability and IPO date when they calculated share-based payment expenses at each reporting period end. Since IPO condition is considered as vesting condition, the entity also needs to consider when the IPO is probable. If the service period under the service condition ends before IPO, then the vesting period will end on IPO date; if the service period under the service condition ends after IPO, then the vesting period will end according to the service conditions. As at March 31, 2024, the Group assessed it is probable that the performance condition (i.e., IPO) 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 are identified as the chief operating decision maker who 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 revenue

The amount of the Group's revenue from external customers broken down by location of the customers is shown in the table below:

	Year ended December 31,			Three months ended March 31,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
America	163,570	224,671	833,906	119,347	294,896
Mainland China	171,600	277,019	327,510	78,900	89,740
Western Europe	234,433	112,296	168,420	34,558	50,318
Japan	6,047	35,216	82,802	22,115	28,479
Southeast Asia	57,878	62,453	88,919	20,480	15,664
Other	41,817	56,827	81,525	16,429	23,820
	675,345	**768,482**	**1,583,082**	**291,829**	**502,917**

(b) Revenue from contract with customers

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,			Three months ended March 31,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
— Online sales, business through Third-party e-commerce platforms to individuals	251,337	503,181	1,362,531	240,327	435,679
— Original design manufacturer business	392,054	237,769	203,209	45,320	52,897
— Others	31,954	27,532	17,342	6,182	14,341
	675,345	**768,482**	**1,583,082**	**291,829**	**502,917**

(c) Revenue from major customers

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 and the three months ended March 31, 2023 and 2024 is set out below:

	Year ended December 31,			Three months ended March 31,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Customer A	129,087	106,764	*	*	*
Customer B	164,998	*	*	*	*

* 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 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 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,			Three months ended March 31,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Government grants	359	1,539	3,115	—	800
Others	160	206	79	1	60
	519	**1,745**	**3,194**	**1**	**860**

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,			Three months ended March 31,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Net fair value gains on financial assets at fair value through profit or loss	766	974	101	25	—
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	1,950	4,808
Others	165	(39)	185	(8)	358
	913	**(2,443)**	**15,500**	**1,967**	**5,166**

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,			Three months ended March 31,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Cost of inventories sold	376,191	379,569	741,915	134,278	200,942
Raw materials and consumables used	102,036	32,337	32,593	5,935	9,089
Freight and storage expenses	68,736	93,726	268,494	43,536	90,326
Commission to e-commerce platforms	29,554	47,540	167,160	24,668	61,543
Marketing and advertising expenses	23,144	53,119	67,559	9,970	15,598
Employee benefit expenses *(Note 9)*	25,184	21,502	27,323	7,415	9,722
Listing expenses	—	—	6,049	142	8,517
Legal and professional fees	1,862	1,122	4,393	733	1,033
Depreciation of property, plant and equipment *(Note 14)*	4,211	1,766	2,859	615	874
Depreciation of right-of-use assets *(Note 15)*	1,487	2,621	1,684	305	807
Office expenses	2,440	1,018	1,281	441	301
Short-term leases expense *(Note 15)*	335	84	129	23	30
Auditor's remuneration					
Audit services	19	40	40	10	10
Others	8,758	9,055	9,383	2,595	5,268
	643,957	**643,499**	**1,330,862**	**230,666**	**404,060**

9 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31,			Three months ended March 31,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Wages, salaries and bonuses	18,262	15,676	18,555	6,186	7,798
Pension obligations, housing funds, medical insurances and other social insurances	6,278	5,350	6,511	1,039	1,084
Share-based payment expenses *(Note 23)*	—	—	1,598	—	594
Other employee benefits	644	476	659	190	246
	25,184	**21,502**	**27,323**	**7,415**	**9,722**

(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 years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024 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 the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024 include 0, 0, 0, 0 and 1 directors respectively, whose emoluments are disclosed in the Note 35. The aggregate amounts of emoluments for the remaining 5, 5, 5, 5 and 4 highest paid individuals for each of the years ended December 31, 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively are as follows:

	Year ended December 31,			Three months ended March 31,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Wages, salaries and bonuses	2,342	2,998	2,978	427	262
Pension obligations, housing funds, medical insurances and other social insurances	64	74	72	11	12
Share-based payment expenses	—	—	1,598	—	482
	2,406	**3,072**	**4,648**	**438**	**756**

The emoluments of those individuals fell within the following bands:

	Year ended December 31,			Three months ended March 31	
	2021	**2022**	**2023**	**2023**	**2024**
				(Unaudited)	
Emolument bands (in HKD)					
Nil–1,000,000	5	4	2	5	4
1,000,001–1,500,000	—	1	3	—	—
	5	**5**	**5**	**5**	**4**

10 FINANCE INCOME, NET

	Year ended December 31,			Three months ended March 31,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Finance income:					
Interest income on bank deposits	4,862	5,453	7,447	1,265	835
Finance costs:					
Interest expenses on borrowings	(1,254)	(1,877)	(168)	(86)	(40)
Unwinding of discounts on long-term payables	(455)	(130)	—	—	—
Interest expenses on lease liabilities *(Note 15)*	(31)	(139)	(129)	(26)	(56)
Losses from payment of long-term payables	—	(299)	—	—	—
Net exchange gains/(losses) on foreign currency borrowings	222	(744)	(25)	186	—
	(1,518)	(3,189)	(322)	74	(96)
Less: borrowing costs capitalized in property, plant and equipment	—	44	—	—	—
Finance income, net	**3,344**	**2,308**	**7,125**	**1,339**	**739**

11 INCOME TAX EXPENSES

	Year ended December 31,			Three months ended March 31,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Current tax on profits for the year/period	5,207	19,771	45,475	9,914	15,156
Deferred income tax *(Note 29)*	(819)	(1,809)	(3,636)	(1,240)	1,957
	4,388	**17,962**	**41,839**	**8,674**	**17,113**

Taxes on profits assessable 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 and the three months ended March 31, 2023 and 2024.

(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 and the three months ended March 31, 2023 and 2024.

(d) Japan income tax

Enterprises incorporated in Japan are subject to income tax rate at the state level of 23.2% during the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024.

(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 years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024.

(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 years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024.

During the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024, 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 and the three months ended March 31, 2024, 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 and March 31, 2024 in the foreseeable future. The deferred income tax liabilities related to unremitted earnings totaled RMB161,086,000 and RMB194,170,000 have not been recognized as at December 31, 2023 and March 31, 2024.

(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,			Three months ended March 31,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Profit before taxation	36,043	126,450	278,313	64,558	105,627
Tax calculated at statutory tax rates applicable to each group entity	7,874	30,638	66,300	13,053	23,559
Preferential tax rate	(3,182)	(12,012)	(23,839)	(4,229)	(4,297)
Expenses not deductible for tax purpose	243	365	172	13	141
Super deduction for research and development expenses	(1,277)	(1,777)	(2,691)	(492)	(724)
Tax losses for which no deferred income tax asset was recognized	730	826	1,996	478	397
Previously unrecognized tax losses now recouped to reduce current tax expense	—	(78)	(99)	(149)	(583)
Recognition of previously unrecognized deductible losses	—	—	—	—	(1,380)
Income tax expense	**4,388**	**17,962**	**41,839**	**8,674**	**17,113**

12 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share for the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024 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 years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024.

In the calculation of weighted average number of ordinary shares outstanding during the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024, 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)(i)) 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 of the Company 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,			Three months ended March 31,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit attributable to the ordinary equity holders of the Company *(RMB'000)*	31,718	108,770	237,132	55,869	88,520
Weighted average number of ordinary shares in issue	404,058,600	404,058,600	404,058,600	404,058,600	404,058,600
Basic earnings per share (expressed in RMB per share)	0.08	0.27	0.59	0.14	0.22

(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.

Diluted earnings per share is equal to basic earnings per share as there were no potential diluted shares outstanding for the years ended December 31, 2021 and 2022.

During the years ended December 31, 2023 and the three months ended March 31, 2023 and 2024, the Company's dilutive potential ordinary shares include share awards granted to employees. As the share awards are issuable upon the satisfaction of specified performance condition, as of December 31, 2023 and March 31, 2024, 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/period reported. Accordingly, diluted earnings per share is equal to basic earnings per share for the year ended December 31, 2023 and the three months ended March 31, 2023 and 2024.

13 DIVIDENDS

Pursuant to the resolution of the shareholder's 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 shareholder's meeting of the Company held on March 3, 2024, dividends of RMB100,000,000, out of share premium of the Company, were approved to be paid to the shareholders of the Company. The dividends of USD10,000,000 (equivalent to approximately RMB72,300,000) and USD3,836,371 (equivalent to approximately RMB27,700,000) were paid in cash in April and May 2024, respectively.

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 *(Note 8)*	(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

	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, 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 *(Note 8)*	(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
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 *(Note 8)*	(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

	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*
Three months ended March 31, 2024						
Opening net book amount	3,935	111	6,744	165	—	10,955
Depreciation charge *(Note 8)*	(73)	(6)	(785)	(10)	—	(874)
Closing net book amount	3,862	105	5,959	155	—	10,081
As at March 31, 2024						
Cost	6,130	252	11,021	370	—	17,773
Accumulated depreciation	(2,268)	(147)	(5,062)	(215)	—	(7,692)
Net book amount	3,862	105	5,959	155	—	10,081

As at December 31, 2021, 2022 and 2023 and March 31, 2024, the Group pledged buildings with carrying amount of approximately RMB4,540,000, RMB4,237,000, RMB3,935,000 and RMB3,862,000 for the bank borrowings of the Group, respectively (Note 27).

Depreciation expenses have been charged to the consolidated statements of profit or loss as follows:

	Year ended December 31,			Three months ended March 31,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Administrative expenses	824	1,640	2,844	612	872
Cost of sales	1,678	116	—	—	—
Research and development expenses	1,709	10	15	3	2
	4,211	**1,766**	**2,859**	**615**	**874**

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,			As at March 31,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Right-of-use assets				
Land use rights	57,159	56,005	—	—
Warehouse	—	—	5,684	5,182
Office	3,825	2,442	1,221	916
	60,984	**58,447**	**6,905**	**6,098**
Lease liabilities				
Current	1,226	1,386	2,739	2,771
Non-current	2,189	803	2,028	2,052
	3,415	**2,189**	**4,767**	**4,823**

As at December 31, 2022, the land-use rights with carrying value of approximately RMB36,526,000 (2021: nil) were pledged as security 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, 2023 and the three months ended March 31, 2023 and 2024 were approximately RMB3,997,000, RMB84,000, RMB6,147,000, nil and nil, respectively.

(ii) Amounts recognized in the consolidated statements of comprehensive income

	Year ended December 31,			Three months ended March 31,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Depreciation charge of right-of-use assets *(Note 8)*					
Office	977	1,467	1,321	305	305
Warehouse	—	—	363	—	502
Land-use right	510	1,154	—	—	—
	1,487	2,621	1,684	305	807
Interest expenses on lease liabilities *(Note 10)*	31	139	129	26	56
Expense relating to short-term leases (included in cost of sales and administrative expenses) *(Note 8)*	335	84	129	23	30
	1,853	2,844	1,942	354	893

The total cash outflow for leases for the years ended December 31, 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024 were approximately RMB1,628,000, RMB1,449,000, RMB3,698,000, RMB23,000 and RMB30,000, 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,			As at March 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Finished goods	24,976	42,059	107,335	152,320
Raw materials and parts	2,554	112	947	643
Work in progress	2,963	—	—	—
Less: provision for inventories	—	—	—	—
	30,493	**42,171**	**108,282**	**152,963**

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 and the three months ended March 31, 2023 and 2024 amounted to RMB478,227,000, RMB411,906,000, RMB774,508,000, RMB140,213,000 and RMB210,031,000, respectively. These were included in cost of sales.

17 TRADE RECEIVABLES

	As at December 31,			As at March 31,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	63,723	55,494	73,954	71,897
Less: allowance for impairment	(95)	(187)	(100)	(99)
Total	**63,628**	**55,307**	**73,854**	**71,798**

(i) The carrying amounts of trade receivables approximated their fair value as at the balance sheet dates during the Track Record Period.

(ii) Aging analysis of trade receivables

As at December 31, 2021, 2022 and 2023 and March 31, 2024, the aging analysis of trade receivables based on invoice date, is as follows:

	As at December 31,			As at March 31,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 3 months	63,644	55,324	73,863	71,806
3 months to 6 months	—	—	—	—
6 months to 9 months	—	—	—	—
9 months to 12 months	79	3	—	—
More than 1 year	—	167	91	91
	63,723	**55,494**	**73,954**	**71,897**

(iii) Classification and impairment of 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. Details on trade receivables are set out in Note 3.1.

18 PREPAYMENTS, OTHER RECEIVABLES, AND OTHER CURRENT ASSETS

The Group

	As at December 31,			As at March 31,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables (a)				
— Refundable deposits	2,011	8,306	9,529	14,882
— Export tax refundable	6,363	1,842	11,939	4,823
— Due from related parties *(Note 34)*	6,319	6,909	357	350
— Others	65	806	236	189
	14,758	17,863	22,061	20,244
Less: provision for impairment *(Note 3.1)*	(150)	(201)	(14)	(10)
	14,608	17,662	22,047	20,234
Prepaid listing expenses	—	—	1,987	4,405
Input VAT to be deducted	71	8,874	—	—
Total	14,679	26,536	24,034	24,639

(i) As at December 31, 2021, 2022, 2023 and March 31, 2024, the carrying amounts of other receivables of the Group approximated their fair values.

(ii) Impairment and risk exposure of other receivables

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 is 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 Company

	As at December 31, 2023	As at March 31, 2024
	RMB'000	*RMB'000*
Prepaid listing expenses	1,987	4,405

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**
Gross carrying amount as at March 31, 2024 *(RMB'000)*	20,244	—	—	20,244
Loss allowance as at March 31, 2024 *(RMB'000)*	(10)	—	—	(10)
Expected credit loss rate	**0.05%**	**—**	**—**	**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,			As at March 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*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 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,			Three months ended March 31,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Fair value gains on financial assets at FVPL recognized in other gains *(Note 7)*	**766**	**974**	**101**	**25**	**—**

20 CASH AND CASH EQUIVALENTS, RESTRICTED CASH, LONG-TERM BANK TIME DEPOSITS AND SHORT-TERM BANK TIME DEPOSITS

The Group

	As at December 31,			As at March 31,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	211,783	202,159	405,162	524,814
Less: restricted cash (ii)	(9,530)	(1,140)	—	—
Less: restricted short-term bank time deposits (iii)	—	(77,392)	(88,952)	(75,841)
Less: restricted long-term bank time deposits (iii)	(104,515)	(51,147)	(80,146)	(184,804)
Less: unrestricted long-term bank time deposits	—	(30,000)	—	—
Cash and cash equivalents	97,738	42,480	236,064	264,169

(i) Cash at banks are denominated in the following currencies:

	As at December 31,			As at March 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
— RMB	191,383	180,104	273,093	353,720
— USD	14,920	14,861	124,804	162,320
— JPY	1,372	2,456	2,955	1,812
— IDR	1,103	1,256	1,277	2,564
— INR	2,273	1,602	1,182	2,608
— PHP	34	531	1,229	574
— MYR	464	903	386	—
— SGD	174	292	53	45
— Others	60	154	183	1,171
	211,783	**202,159**	**405,162**	**524,814**

(ii) The Group's restricted cash comprised:

	As at December 31,			As at March 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank deposits				
— Pledged for a litigation	—	1,140	—	—
— Pledged for bank acceptance notes issuance *(Note 25)*	9,530	—	—	—
	9,530	**1,140**	**—**	**—**

(iii) The restricted short-term and long-term bank time deposits as at December 31, 2021, 2022 and 2023 and March 31, 2024 were all pledged to the bank for issuance of bank acceptance notes (Note 25).

(iv) Classification of cash and cash equivalents

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.

The Company

	As at December 31, 2023	As at March 31, 2024
	RMB'000	*RMB'000*
Cash and cash equivalents	**75**	**1,588**

Cash and cash equivalents are denominated in:

	As at December 31, 2023	As at March 31, 2024
	RMB'000	*RMB'000*
— HKD	68	50
— USD	7	1,538
	75	**1,588**

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
Share subdivision (d)	475,000,000	—
As at March 31, 2024	**500,000,000**	**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					
As at February 3, 2023 (date of incorporation)	—	—	—	—	—
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)
Share subdivision (d)	385,375,670	—	—	—	—
Dividend distribution to the shareholders (e)	—	—	—	(100,000)	—
As at March 31, 2024	**405,658,600**	**203**	**1,460**	**37,208**	**(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. No shares were issued and allotted on incorporation.

(b) On March 15, 2023, pursuant to the resolution passed by the shareholders of the Company, 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.

On September 21, 2023, pursuant to the resolution passed by the shareholders of the Company, 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(a)(iii)).

Pursuant to an equity transfer agreement entered into among Carote Group, 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 Group for a consideration of RMB67,731,000, which was paid by Carote Group to the shareholders in cash in October 2023 (Note 1.2(a)(iii)). 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 Group 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.

(d) 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. Immediately following the Subdivision, the number of ordinary shares in issue was 405,658,600 (including 1,600,000 shares held for shares award scheme after consideration of the Subdivision).

(e) On March 3, 2024, pursuant to the resolution of the shareholder's meeting of the Company, dividends of RMB100,000,000 were approved to be paid to the shareholders of the Company. The dividends of USD10,000,000 (equivalent to approximately RMB72,300,000) and USD3,836,371 (equivalent to approximately RMB27,700,000) were paid in cash in April and May 2024, respectively.

22 RESERVES

The Group

	Note	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)**

The Group

	Note	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, 2024		(265,366)	1,598	15,000	4,653	(244,115)
Share-based payment	*23*	—	594	—	—	594
Other currency translation differences		—	—	—	477	477
As at March 31, 2024		**265,366**	**2,192**	**15,000**	**5,130**	**(243,044)**

	Note	Capital reserve	Share-based payment reserves	Statutory surplus reserve	Foreign currency translation reserve	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)						
As at January 1, 2023		30,000	—	15,000	1,636	46,636
Deemed distribution to shareholders pursuant to the disposal of assets (e)		(89,360)	—	—	—	(89,360)
Other currency translation differences		—	—	—	(199)	(199)
As at March 31, 2023		**(59,360)**	**—**	**15,000**	**1,437**	**(42,923)**

(a) The capital reserves as at January 1, 2021 comprised the paid-in capital of Zhejiang Carote at the amount of RMB5,000,000.

(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 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) and Yongkang Kesheng Technology Development Partnership 永康可升科技發展合夥企業(有限合夥) 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 investing 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, Gangle Kitchenware, 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 and RMB528,000 of cash and cash equivalents, and excluding RMB37,323,000 of borrowings and RMB38,742,000 of amount due to the Group's entities. 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 received approximately RMB38,214,000 of net cash from this transaction.

The Company

	Note	Capital reserves	Share-based payment reserves	Foreign currency translation reserve	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at February 3, 2023 (date of incorporation)		—	—	—	—
Share-based payment	*23*	—	1,598	—	1,598
Other currency translation differences		—	—	(42)	(42)
As at December 31, 2023		**—**	**1,598**	**(42)**	**1,556**
As at January 1, 2024		—	1,598	(42)	1,556
Share-based payment	*23*	—	594	—	594
Other currency translation differences		—	—	(23)	(23)
As at March 31, 2024		**—**	**2,192**	**(65)**	**2,127**

23 SHARE-BASED PAYMENT

Share-based payment expenses were recognized in profit or loss for the year ended December 31, 2023 and the three months ended March 31, 2023 and 2024 as follows:

	Year ended December 31,	Three months ended March 31,	
	2023	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
		(Unaudited)	
Selling expenses	1,198	—	445
Administrative expenses	400	—	149
	1,598	**—**	**594**

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. Luoqin Enterprise held certain shares in Zhejiang Carote. In addition, on date the Company adopted the Amended and Restated Share Incentive Plan ("**Legacy Plan**"), and Carote CM Limited Partnership was set up in year for the purpose of holding shares of the Company on behalf of the Incentive Targets. The PRC Plan was replaced by the Legacy Plan in 2023 as part of the Reorganization (Note 1.2(a)) 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 Limited Partnership. 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 listed, 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 IPO. 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 IPO since IPO condition is considered as a vesting condition. As at the date of grant of the shares and up to December 31, 2023 and March 31 2024, the Group assessed that it is probable that the performance condition (i.e. IPO) 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 and March 31, 2024	**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,			As at March 31,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at amortized cost:				
— Trade receivables *(Note 17)*	63,628	55,307	73,854	71,798
— Other receivables *(Note18)*	14,608	17,662	22,047	20,234
— Cash and cash equivalents *(Note 20)*	97,738	42,480	236,064	264,169
— Restricted cash *(Note 20)*	9,530	1,140	—	—
— Short-term bank time deposits *(Note 20)*	—	77,392	88,952	75,841
— Long-term bank time deposits *(Note 20)*	104,515	81,147	80,146	184,804
Financial assets at FVPL *(Note 19)*	40,000	50,062	—	—
	330,019	**325,190**	**501,063**	**616,846**
Financial liabilities				
Liabilities at amortized cost:				
— Trade and bills payables *(Note 25)*	281,968	276,232	358,634	425,383
— Other payables and accruals (excluding payroll and welfare payables, other tax payables) *(Note 26)*	24,755	55,563	3,939	106,452
— Borrowings *(Note 27)*	39,207	56,529	5,004	5,004
— Lease liabilities *(Note 15)*	3,415	2,189	4,767	4,823
— Long-term payables *(Note 28)*	8,474	—	—	—
	357,819	**390,513**	**372,344**	**541,662**

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

	As at December 31,			As at March 31,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	144,748	138,752	195,464	182,193
Bills payables	137,220	137,480	163,170	243,190
	281,968	**276,232**	**358,634**	**425,383**

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).

As at December 31, 2021, 2022 and 2023 and March 31, 2024, the aging analysis of the trade and bills payables based on invoice date was as follows:

	As at December 31,			As at March 31,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	141,266	140,800	357,648	420,497
Between 3 months and 1 year	136,608	132,651	621	4,523
Over one year	4,094	2,781	365	363
	281,968	**276,232**	**358,634**	**425,383**

The carrying amounts of trade and bills payables approximated their fair values due to their short-term in nature.

26 OTHER PAYABLES AND ACCRUALS

The Group

	As at December 31,			As at March 31,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accrued freight expenses	1,890	2,589	3,470	2,541
Payroll and welfare payables	2,910	716	2,576	1,039
Dividend payable	—	50,000	—	100,000
Amounts due to related parties *(Note 34)*	20,704	2,183	—	—
Accrued advertising and publicity expenses	404	196	—	194
Current portion of long-term payables *(Note 28)*	1,617	—	—	—
Other taxes payables	4,159	6,256	4,691	7,226
Payable for listing expenses	—	—	—	3,156
Others	140	595	469	561
	31,824	**62,535**	**11,206**	**114,717**

The carrying amounts of other payables and accruals approximated their fair values due to their short-term in nature.

The Company

	As at December 31,	As at March 31,
	2023	2024
	RMB'000	*RMB'000*
Dividend payable	—	100,000
Amounts due to subsidiaries	2,707	9,091
Payable for listing expenses	—	3,156
	2,707	**112,247**

27 BORROWINGS

	As at December 31,			As at March 31,
	2021	2022	2023	2024
	RMB'000	*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	5,004
— Short-term bank borrowings, guaranteed	21,421	—	—	—
	39,207	19,206	5,004	5,004
	39,207	**56,529**	**5,004**	**5,004**

The decrease in the borrowings during the year ended December 31, 2023 were due to the transfer out of land use right and other assets of the Group together with the related bank borrowings as a result of deemed distributions to shareholders (Note 22(e)).

As at December 31, 2021, 2022 and 2023 and March 31, 2024, the Group's borrowings were repayable as follows:

	As at December 31,			As at March 31,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	39,207	19,206	5,004	5,004
Between 1 and 2 years	—	15,000	—	—
Between 2 and 5 years	—	22,323	—	—
	39,207	**56,529**	**5,004**	**5,004**

Analysis of the carrying amounts of the Group's borrowings by currency was as follows:

	As at December 31,			As at March 31,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	26,427	42,329	5,004	5,004
USD	12,780	14,200	—	—
	39,207	**56,529**	**5,004**	**5,004**

The weighted average effective interest rates per annum for the years ended December 31, 2021, 2022 and 2023 and March 31, 2024 were as follows:

	As at December 31,			As at March 31,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	4.0%	4.1%	3.1%	3.1%
USD	0.5%	2.3%	NA	NA

The securities and guarantees to the borrowings are as follows:

(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 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) As at March 31, 2024, the borrowings of RMB5,004,000 were secured by the pledge of a building of the Group with carrying value of RMB3,862,000 (Note 14).

28 LONG-TERM PAYABLES

	As at December 31,			As at March 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*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 agreements entered into among Zhejiang Carote and the respective 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 the present value of the annual payments according to the repayment agreement. The Group repaid the loans according to the repayment agreements and fully settled the loans during the year ended December 31, 2022.

During the years ended December 31, 2021 and 2022, the Group charged approximately RMB455,000 and RMB429,000 to finance cost in profit or loss.

29 DEFERRED INCOME TAX

	As at December 31,			As at March 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred income tax assets:				
— to be recovered within 12 months	1,096	3,348	7,295	5,212
— to be recovered after more than 12 months	589	121	303	308
Total deferred tax assets	1,685	3,469	7,598	5,520
Net-off with deferred tax liabilities	(549)	(366)	(733)	(740)
Net deferred income tax assets	1,136	3,103	6,865	4,780
Deferred income tax liabilities:				
— to be settled within 12 months	208	183	484	183
— to be settled after more than 12 months	366	183	552	732
Total deferred tax liabilities	574	366	1,036	915
Net-off with deferred tax assets	(549)	(366)	(733)	(740)
Net deferred income tax liabilities	25	—	303	175

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:

Deferred income tax assets:

	Provision for impairment	Lease liabilities	Tax losses	Unrealized internal transaction gains	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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**
Credited/(charged) 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**
(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**
(Charged)/credited to profit or loss	(1)	8	1,380	(3,465)	(2,078)
As at March 31, 2024	**17**	**723**	**1,380**	**3,400**	**5,520**

Deferred income tax liabilities:

	Right-of-use assets	Total
	RMB'000	*RMB'000*
As at January 1, 2021	171	171
Credited to profit or loss	403	403
As at December 31, 2021	**574**	**574**
Charged to profit or loss	(208)	(208)
As at December 31, 2022	**366**	**366**
Credited to profit or loss	670	670
As at December 31, 2023	**1,036**	**1,036**
Charged to profit or loss	(121)	(121)
As at March 31, 2024	**915**	**915**

The expiration of tax losses carried forward for which deferred income tax assets is not recognized is as follows:

	As at December 31,			As at March 31,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tax losses expiring between 2-3 years	—	—	2,503	2,503
Tax losses expiring between 3-4 years	31	2,881	812	812
Tax losses expiring over 4 years	4,050	4,715	11,484	5,911
	4,081	**7,596**	**14,799**	**9,226**

30 CASH FLOW INFORMATION

(a) Reconciliation of profit before income tax to cash generated from operations

	Year ended December 31,			Three months ended March 31,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Profit before income tax	36,043	126,450	278,313	64,558	105,627
Adjustments for:					
Depreciation of property, plant, and equipment and right-of-use assets	5,698	4,387	4,543	920	1,681
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)	(25)	—
Finance costs *(Note 10)*	(3,344)	(2,308)	(7,125)	(1,339)	(739)
Net impairment losses/(reversal of impairment) on financial assets	121	143	(274)	(88)	(5)
Share-based payment expenses *(Note 23)*	—	—	1,598	—	594
Net exchange differences	19	1,740	637	1,071	185
Operating profit before changes in working capital	**37,906**	**131,440**	**277,590**	**65,097**	**107,343**
Changes in working capital:					
Increase in inventories	(8,287)	(11,678)	(66,111)	(15,512)	(44,681)
(Increase)/decrease in trade receivables	(15,072)	6,846	(18,688)	2,629	1,966
(Increase)/decrease in other operating assets	(18,419)	(8,770)	651	(27,974)	6,441
Increase/(decrease) in trade and bills payables	118,931	(5,736)	82,402	(45,312)	66,749
Increase/(decrease) in other operating liabilities	18,823	14,269	(2,728)	28	112
(Increase)/decrease in restricted cash	(9,530)	8,390	1,140	1,140	—
Cash generated from/(used in) operations	**124,352**	**134,761**	**274,256**	**(19,904)**	**137,930**

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,			Three months ended March 31,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Net book amount	3,136	4,194	161,402	161,402	—
Deemed distribution to shareholders pursuant to the disposal of assets	—	—	(161,402)	(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)**
Cash flows from financing activities	40	—	30	70
Acquisitions	—	—	(30)	(30)
Interest accrued	(40)	—	(56)	(96)
Net debt as at March 31, 2024	**(5,004)**	**—**	**(4,823)**	**(9,827)**
(Unaudited)				
Cash flows from financing activities	47	—	23	70
Acquisitions	—	—	(23)	(23)
Deemed distribution to shareholders pursuant to the disposal of assets	37,323	—	—	37,323
Interest accrued	(86)	—	(26)	(112)
Foreign exchange adjustments	186	—	—	186
Net debt as at March 31, 2023	**(19,059)**	**—**	**(2,215)**	**(21,274)**

(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

Capital commitments

	As at December 31,			As at March 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for				
— purchase of property, plant and equipment	**113,502**	**57,434**	**—**	**—**

32 CONTINGENCIES

As at December 31, 2021, 2022 and 2023 and March 31, 2024, the Group had no material contingent liabilities.

33 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	As at December 31,			As at March 31,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investments in an associate	—	—	*	—

* Represents that the amount is less than RMB1,000.

(i) As mentioned in Note 1.2 (iii), in September 2023, 40% shares of the Group's 80% owned subsidiary Zhejiang Taige Electric were transferred to a third party at nil consideration. After completion of the transaction, Zhejiang Taige Electric became an associate of the Company. The fair value of the investment in the associate at the date of transaction and as at December 31, 2023 was less than RMB1,000.

In February 2024, the remaining 40% shares of Zhejiang Taige Electric were transferred to a third party at nil consideration, and Zhejiang Taige Electric ceased to be an associate of the Company.

(ii) Set out below are the details of the associate of the Group as at December 31, 2023 and March 31, 2024.

		% of ownership interest		
Name of entity	Place of business/country of incorporation	As at December 31, 2023	As at March 31, 2024	Principal activities
Zhejiang Taige Electric Co., Ltd. 浙江泰戈電器有限公司	PRC	40%	nil	Procurement and sales of kitchenware

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 and the three months ended March 31, 2023 and 2024:

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

Name of related parties	Relationship with the Company
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. 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 Group, 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 Group for a consideration of RMB67,731,000 which was paid by Carote Group to the shareholders in cash in October 2023 (Note 1.2(a)(iii)). 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, Gangle Kitchenware, 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 director's remuneration as disclosed in Note 35, was as follows:

	Year ended December 31,			Three months ended March 31,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Wages, salaries and bonuses	1,208	1,772	2,138	240	302
Other social security costs, housing benefits and other employee benefits	59	74	82	11	17
Share-based payment expenses	—	—	899	—	594
	1,267	**1,846**	**3,119**	**251**	**913**

(f) Transactions with related parties

Related party transactions of the Group are listed as follows:

	Year ended December 31,			Three months ended March 31,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Sales of goods					
Shijimei	**2,045**	**339**	**—**	**—**	**—**
Purchases of raw materials					
Yangxi	**10,713**	**1,369**	**1,033**	**31**	**—**
Purchases of services					
Foshan Kemo	**300**	**—**	**579**	**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**	**—**	**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**	**—**	**—**	**—**

	Year ended December 31,			Three months ended March 31,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Repayment of loans to a related party					
Zhejiang Taige Electric	—	—	—	—	7
Shijimei	—	—	4,000	—	—
Ms. Lyu	—	—	1,909	—	—
COMOK LIMITED	—	319	—	—	—
	—	**319**	**5,909**	**—**	**7**
Proceeds from a related party					
Mr. Li and Xinjie	**982**	**1,000**	**1,000**	**—**	**—**
Repayment of long-term payables on behalf of a related party ***(Note 28)***					
Mr. Li and Xinjie	**1,940**	**10,520**	**—**	**—**	**—**

(g) Balances with related parties

	As at December 31,			As at March 31,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables (trade in nature)				
Shijimei	2,311	—	—	—
Less: allowance for credit losses	(1)	—	—	—
	2,310	**—**	**—**	**—**

	As at December 31,			As at March 31,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables (trade in nature)				
Zhejiang Leshengen	**—**	**—**	**350**	**350**

As at December 31, 2023 and March 31, 2024, the amount of other receivables was a security deposit for lease of warehouse.

	As at December 31,			As at March 31,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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)	(1)
	6,319	**6,853**	**356**	**349**

	As at December 31,			As at March 31,
	2021	2022	2023	2024
	RMB'000	*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 December 31, 2021 and 2022, the amount of other payables to Shijimei was a deposit for sales of product

	As at December 31,			As at March 31,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables (trade in nature)				
Yangxi	**4,456**	**—**	**—**	**—**
Lease liabilities (trade in nature)				
Zhejiang Leshengen	**—**	**—**	**3,964**	**4,010**

As at December 31, 2021, 2022 and 2023 and March 31, 2024, the receivables and payables with related parties were interest-free, unsecured and payable on demand.

35 BENEFITS AND INTERESTS OF DIRECTORS

(a) Director's 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**

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, 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**
For the three months ended March 31, 2024:						
Executive directors:						
Mr. Zhang	—	60	—	1	1	62
Ms. Lyu	—	30	—	1	1	32
Mr. Xia*	—	70	111	1	2	184
	—	**160**	**111**	**3**	**4**	**278**
(Unaudited)						
For the three months ended March 31, 2023:						
Executive directors:						
Mr. Zhang	—	31	—	1	1	33
Ms. Lyu	—	31	—	1	1	33
	—	**62**	**—**	**2**	**2**	**66**

* Mr. Xia has been appointed as executive director from March 4, 2024.

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 years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024, 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) Director's retirement and termination benefits

No retirement or termination benefits have been paid to the Company's directors during the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024.

(c) Consideration provided to third parties for making available director's services

No consideration was provided to third parties for making available director's services during the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024.

(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 years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024.

(e) Director's material interests in transactions, arrangements or contracts

Save as disclosed in Note 34, 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 years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024.

36 SUBSEQUENT EVENTS

There are no material subsequent events undertaken by or impacted on the Company or the Group subsequent to March 31, 2024 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 Hong Kong Institute of Certified Public Accountant.

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 profit or 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 consolidated 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 employee's 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 entity's 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 March 31, 2024 and up to the date of this report.

The information set forth in this appendix does not form part of the Accountant's Report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set forth in Appendix I to this prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules, is for the purpose of illustrating the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the owners of the Company as at March 31, 2024 as if the Global Offering had taken place on March 31, 2024.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Group as at March 31, 2024 or at any future dates following the Global Offering. It is prepared based on the consolidated financial information of the Group as at March 31, 2024 as set forth in the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at March 31, 2024	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company as at March 31, 2024	Unaudited pro forma adjusted net tangible assets per Offer Share	
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on the Offer Price of HK$5.72 per Offer Share	212,255	620,717	832,972	1.56	1.73
Based on the Offer Price of HK$5.78 per Offer Share	212,255	627,408	839,663	1.57	1.75

Notes:

(1) The audited consolidated net tangible assets attributable to owners of the Company as of March 31, 2024 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as of March 31, 2024 of approximately RMB212,255,000.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$5.72 and HK$5.78 per Offer Share, being the lower end to higher end of the stated offer price range, respectively, and 129,864,500 Offer Shares expected to be issued under the Global Offering, after deduction of the underwriting fees and other related expenses payable by the Company (excluding listing expenses of RMB14,566,000 which have been accounted for in the Group's consolidated statements of profit or loss prior to March 31, 2024), and takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates.

(3) The unaudited pro forma adjusted net tangible assets per Offer Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 535,523,100 shares are in issue, assuming the Global Offering had been completed on March 31, 2024, but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates.

(4) For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at rate of HK$1.00 to RMB0.8993. 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) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to March 31, 2024.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Carote Ltd

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Carote Ltd (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at March 31, 2024, and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages II-1 to II-2 of the Company's prospectus dated September 23, 2024, in connection with the proposed initial public offering of the shares of the Company (the "**Prospectus**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at March 31, 2024 as if the proposed initial public offering had taken place at March 31, 2024. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the period ended March 31, 2024, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at March 31, 2024 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, September 23, 2024

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 September 13, 2024 and will become effective on the Listing Date. 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 net proceeds 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 dispatch 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 listed 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 each.

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 each.

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 each.

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.

On September 13, 2024, pursuant to written resolutions passed by our Shareholders on even date, our authorized share capital was further increased to US$1,000,000 divided into 2,000,000,000 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

Resolutions in writing were passed on September 13, 2024 by all our Shareholders, pursuant to which, among others:

(i) the increase in the authorized share capital of our Company to US$1,000,000 divided into 2,000,000,000 shares of a nominal or par value of US$0.0005 each with immediate effect;

(ii) the Memorandum and Articles of Association were approved and adopted conditional upon Listing;

(iii) conditional upon all the conditions set out in "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus being fulfilled:

(A) the Global Offering 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 Global Offering; and

(C) the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to agree to the price per Offer Share with the Overall Coordinators (for themselves and on behalf of the Underwriters);

(iv) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with Shares (including resale of any treasury shares of our Company) 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 Global Offering 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 Global Offering, 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;

(v) 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 Global Offering, 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

(vi) the general mandate mentioned in paragraph (iv) 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 (v) above.

(d) Corporate Reorganization

Certain of the companies comprising our Group underwent the Reorganization in preparation for the listing 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 — Accountant’s 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 prospectus.

(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.

(iii) Carote Canada

On April 24, 2024, Carote Canada was established under the laws of Canada with an initial registered share capital of CA$10,000, which was held as to 100% by Carote Group.

(iv) Jinhua Carote Kitchenware

On July 25, 2024, Jinhua Carote Kitchenware was established under the laws of China with an initial registered share capital of RMB5,000,000, which was held as to 100% by Zhejiang Carote.

(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 in writing of all our Shareholders passed on September 13, 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 Global Offering 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 Global Offering. Our Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares (other than an issue of securities or a transfer of treasury shares pursuant to an exercise of warrants, share options or similar instruments requiring our Company to issue securities, which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public 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

We may consider canceling the Shares repurchased under the Repurchase Mandate, or holding them as treasury shares subject to our Board's consideration, including among other things, on-going market conditions and its capital management needs at the relevant time of the repurchases.

(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 30 days 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.

Also, a listed issuer may not purchase any of its own shares on the Stock Exchange for a period of 30 days after any sale or transfer of any treasury shares on the Stock Exchange, without the prior approval of the Stock Exchange.

(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 a 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 prospectus 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 prospectus. 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

The exercise in full of the Repurchase Mandate, on the basis of 535,523,100 Shares in issue immediately following the completion of the Global Offering and assuming the Over-allotment Option is not exercised, could accordingly result in up to 53,552,310 Shares being repurchased by our Company during the period prior to: (a) the conclusion of the next annual general meeting of the Company; or (b) the end of the period within which our Company is required by any applicable law or by its articles of association to hold the next annual general meeting; or (c) the date when the Repurchase Mandate is varied or revoked by an ordinary resolution of the shareholders in general meeting, whichever is the earliest.

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 the Cayman Islands. 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 Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the shareholder's interest, 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 the public being reduced to less than 25% 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 public 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 or it 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 prospectus that are or may be material:

(i) a cornerstone investment agreement dated September 19, 2024 entered into among our Company, MPC VII Pte. Ltd., CMB International Capital Limited and BNP Paribas Securities (Asia) Limited, pursuant to which MPC VII Pte. Ltd. agreed to subscribe for Offer Shares, at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$20 million;

(ii) a cornerstone investment agreement dated September 19, 2024 entered into among our Company, YSC Go (BVI) Limited, CMB International Capital Limited and BNP Paribas Securities (Asia) Limited, pursuant to which YSC Go (BVI) Limited agreed to subscribe for Offer Shares, at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$20 million; and

(iii) the Hong Kong Underwriting Agreement.

(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	31	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

No.	Trademark	Place of registration	Class	Registration Number	Date of registration	Date of expiry	Registered owner(s)
	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
	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

No.	Trademark	Place of registration	Class	Registration Number	Date of registration	Date of expiry	Registered owner(s)
	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	PRC	24	73690835	February 21, 2024	February 20, 2034	Zhejiang Carote
	carote	PRC	11	73566594	February 14, 2024	February 13, 2034	Zhejiang Carote
	carote	PRC	21	72917274	February 14, 2024	February 13, 2034	Zhejiang Carote
	CAROTE	PRC	11	71528570	February 21, 2024	February 20, 2034	Zhejiang Carote
	CAROTE	PRC	28	72201234	March 14, 2024	March 13, 2034	Zhejiang Carote
	CAROTE	PRC	9	72184603	February 28, 2024	February 27, 2034	Zhejiang Carote
	carote	Hong Kong	21	306482647	February 26, 2024	February 25, 2034	Carote International
	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

No.	Trademark	Place of registration	Class	Registration Number	Date of registration	Date of expiry	Registered owner(s)
	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
	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

No.	Trademark	Place of registration	Class	Registration Number	Date of registration	Date of expiry	Registered owner(s)
	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
	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

No.	Trademark	Place of registration	Class	Registration Number	Date of registration	Date of expiry	Registered owner(s)
	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
	CAROTE	United Arab Emirates	21	401017	July 3, 2023	July 3, 2033	Zhejiang Carote

No.	Trademark	Place of registration	Class	Registration Number	Date of registration	Date of expiry	Registered owner(s)
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
	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

No.	Trademark	Place of registration	Class	Registration Number	Date of registration	Date of expiry	Registered owner(s)
	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

No.	Trademark	Place of registration	Class	Registration Number	Date of registration	Date of expiry	Registered owner(s)
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
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, 2028	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
16	coe.	PRC	21	70921228	March 7, 2024	March 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	カローテ	Japan	21	April 5, 2023	Zhejiang Carote
2	CAROTE	Canada	21	July 5, 2023	Zhejiang Carote
3	CAROTE	Egypt	21	June 21, 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	A kind of protection structure of hydraulic press and its use method* (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	A kind of mobile automatic cleaning equipment* (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	A kind of drive structure for sandblasting machines* (一種噴砂機的驅動結構)	PRC	Utility model	ZL201820239492.3	February 10, 2018	February 9, 2028	Zhejiang Carote
4	A kind of paint coating equipment for concave surfaces of pot bodies* (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	A kind of material packing equipment* (一種物料裝箱設備)	PRC	Utility model	ZL201820239490.4	February 10, 2018	February 9, 2028	Zhejiang Carote
6	A kind of partial paint spraying equipment for assembly line* (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	A kind of automatic polishing machine for assembly line* (一種流水線用自動拋光機)	PRC	Utility model	ZL201820239493.8	February 10, 2018	February 9, 2028	Zhejiang Carote

No.	Patent	Place of registration	Type	Patent Number	Date of registration	Date of expiry	Registered owner(s)
8	A kind of automatic pick-up structure for stretching machines* (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	A kind of material placement structure for sandblasting machines* (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	A kind of automatic spray gun for fast and even spraying* (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	Scald-prevention lid* (防燙傷鍋蓋).	PRC	Utility model	ZL202122080602.0	August 31, 2021	August 30, 2031	Zhejiang Carote
12	A kind of handy tapping machine* (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	A kind of waste collection device for CNC processing* (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	A kind of draining rack* (一種瀝水架).	PRC	Utility model	ZL202123323756.4	December 27, 2021	December 26, 2031	Zhejiang Carote

No.	Patent	Place of registration	Type	Patent Number	Date of registration	Date of expiry	Registered owner(s)
15	Enamelled milk pan* (珐瑯奶鍋).	PRC	Design	ZL202130478186.2	July 27, 2021	July 26, 2036	Yongkang City Carote
16	Enamelled shallow saucepan* (珐瑯淺湯鍋).	PRC	Design	ZL202130478170.1	July 27, 2021	July 26, 2036	Yongkang City Carote
17	Enamelled saucepan* (珐瑯湯鍋).	PRC	Design	ZL202130478181.X	July 27, 2021	July 26, 2036	Yongkang City Carote
18	Frying pan(OP series)* (煎鍋（OP系列）)	PRC	Design	ZL202130722052.0	November 3, 2021	November 2, 2036	Yongkang City Carote
19	Milk pan (OP series)* (奶鍋（OP系列）)	PRC	Design	ZL202130722056.9	November 3, 2021	November 2, 2036	Yongkang City Carote
20	Draining rack (瀝水架).	PRC	Design	ZL202130765669.0	November 19, 2021	November 18, 2036	Yongkang City Carote
21	Frying pan (Haha pot series)* (煎鍋（哈哈鍋系列）)	PRC	Design	ZL202230287427.X	May 16, 2022	May 15, 2037	Yongkang City Carote
22	Soup pot (Haha pot series)* (湯鍋（哈哈鍋系列）)	PRC	Design	ZL202230287428.4	May 16, 2022	May 15, 2037	Yongkang City Carote
23	Milk pan (Haha pot series)* (奶鍋（哈哈鍋系列）)	PRC	Design	ZL202230288089.1	May 16, 2022	May 15, 2037	Yongkang City Carote

No.	Patent	Place of registration	Type	Patent Number	Date of registration	Date of expiry	Registered owner(s)
24	Frying pan (milk pot ins series)* (煎鍋（奶鍋ins系列）)	PRC	Design	ZL202230532378.1	August 15, 2022	August 14, 2037	Yongkang City Carote
25	Soup pot (Paris series)* (湯鍋（Paris系列）)	PRC	Design	ZL202230532374.3	August 15, 2022	August 14, 2037	Yongkang City Carote
26	Frying pan (Paris series)* (煎盤（Paris系列）)	PRC	Design	ZL202230532375.8	August 15, 2022	August 14, 2037	Yongkang City Carote
27	Milk pan (Paris series)* (奶鍋（Paris系列）)	PRC	Design	ZL202230532377.7	August 15, 2022	August 14, 2037	Yongkang City Carote
28	Sauté pan (milk pan, frying pan ins series)* (煎炒鍋（奶鍋、煎鍋 ins)系列）	PRC	Design	ZL202230648750.5	September 29, 2022	September 28, 2037	Yongkang City Carote
29	Cooking pot (multifunctional) (料理鍋（多功能）)	PRC	Design	ZL202230723611.4	October 31, 2022	October 30, 2037	Yongkang City Carote
30	Handle (detachable)* (手柄（可拆卸）)	PRC	Design	ZL202330167890.5	March 31, 2023	March 30, 2038	Yongkang City Carote
31	Handle* (手柄).	PRC	Design	ZL202330197557.9	April 12, 2023	April 11, 2038	Yongkang City Carote
32	Frying pan* (煎盤)	PRC	Design	ZL202330197564.9	April 12, 2023	April 11, 2038	Yongkang City Carote
33	Frying pan* (detachable) (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	Monster Buddy* (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	Cartoon Figure Series Painting* (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	Kakaron Group Picture* (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 Global Offering

Immediately following completion of the Global Offering (without taking into account the Shares to be allotted and issued upon the exercise of the Over-allotment Option), 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 listed, will be as follows:

(A) Interest in the Shares

Name of Director	Nature of Interest[1]	Number of Shares Interested upon Listing	Approximate Percentage of Shareholding upon Listing
Mr. Zhang[2], [3]	Interest in controlled corporation	401,602,000	74.99%
Ms. Lyu[2]	Interest in controlled corporation	400,000,000	74.69%

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.

(B) Interest in the Associated Corporations of our Company

Name of Director	Name of Associated Corporation	Nature of Interest	Number of shares held	Approximate Percentage of Interests
Mr. Zhang . . .	Carote Philippines	Beneficial owner	100,000(2)	1%
Ms. Lyu.	Carote Philippines	Beneficial owner	100,000(2)	1%

Notes:

(1) All interests stated are long positions.

(2) Carote Philippines, our non-wholly owned subsidiary, is owned as to 80% by Carote (Singapore) Management, 18% by Carote Global, 1% by Mr. Zhang and 1% by Ms. Lyu.

(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 listed, 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)

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 Global Offering (without taking into account the exercise of the Over-allotment Option) 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 Listing Date, 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 Listing Date. 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 and for the three months ended March 31, 2023 and 2024 was approximately RMB74,000, RMB209,000, RMB351,000, RMB66,000 and RMB278,000 respectively. For details of our Directors' remuneration, see "Appendix I — Note 35 of the Accountant's 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 "History, Reorganization and Corporate Structure" and herein, none of our Directors or any of the persons whose names are listed in "— Other Information — (j) Qualification 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 prospectus.

(d) Miscellaneous

Save as disclosed in "History, Reorganization and Corporate Structure", "Substantial Shareholders", "Relationship with Our Controlling Shareholders", "Connected Transactions" and herein:

(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 listed 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 prospectus 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 — (j) Qualification of Experts" is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(iv) other than pursuant to the Underwriting Agreements, none of the parties listed in "— Other Information — (j) Qualification 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 Listing Date	20%
Second Unlocking Date	The date falling two calendar years immediately after the Listing Date	an additional 30%
Third Unlocking Date	The date falling three calendar years immediately after the Listing Date	an additional 50%

(v) 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 Listing.

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.

(vi) Rights of the Key Employee to exit from the Employee Incentive Scheme

For unvested Partnership Interests and unvested Underlying ESOP Shares

At any time after Listing, a Key Employee that maintains their employment with the Group may request Guodong Capital (in its capacity as general partner) to arrange for the disposal of any Partnership Interests and the corresponding Underlying ESOP Shares which are not yet vested. In such circumstance, the calculation of the consideration for such disposal shall be the same as the circumstance set out in sub-paragraph (9) under the paragraph headed "Termination of participation in the Employee Incentive Scheme" above.

For vested Partnership Interests and vested Underlying ESOP Shares

Once the Partnership Interests are no longer subject to the ESOP Lock-up, they will be considered vested (the "**Unlocked Partnership Interest**") and the corresponding Underlying ESOP Share will also be considered vested ("**Unlocked ESOP Shares**").

Any Key Employee may choose to dispose of such amount of the Unlocked Partnership Interest and the corresponding Unlocked ESOP Shares by giving instructions to Guodong Capital. Upon receipt of such instruction, and in accordance with all applicable rules and regulations for trading of securities on the market at the relevant time, Guodong Capital will sell relevant amount of the Unlocked ESOP Shares at the prevailing market price and remit the proceeds to the relevant Key Employee. In respect of the relevant Unlocked Partnership Interest, Guodong Capital, (in its capacity as general partner) shall arrange 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) 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.

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 Listing, such Key Employee's plan to exit shall follow the above arrangement.

(vii) 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 0.30% of our Company's total issued share capital immediately prior to the Global Offering (assuming the Over-allotment Option 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**

As a result of the arrangement set out above, save and except for the occurrence of any events described in "(v) Termination of participation in the Employee Incentive Scheme" above, whereby 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, we do not expect any change to the Partnership Interest held in Luo Qin Investment by the Key Employees prior to the date falling one calendar year immediately after the Listing Date. Even if such events occur, the number of our Shares held by Carote CM will not be affected during the first year from the Listing Date. As of the Latest Practicable Date, no events described in "(v) Termination of participation in the Employee Incentive Scheme" above have occurred.

The Board currently has no plan to approve any other core employees of the Company or its subsidiaries to be entitled to the Underlying ESOP Shares under the Employee Incentive Scheme prior to the date falling one calendar year immediately after the Listing Date. Other than the Employee Incentive Scheme disclosed above, our Company currently has no intention to adopt any additional employee incentive scheme or share award scheme during the year ending 31 December 2024. In addition, our Company undertakes to comply with Rule 10.08 of the Listing Rules as further set out in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings to the Stock Exchange pursuant to the Listing Rules".

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 Listing

The Joint Sponsors have made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued or sold as mentioned in this prospectus. All necessary arrangements have been made to enable such Shares into CCASS.

(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 March 31, 2024 (being the dated to which the latest audited consolidated financial statements of our Group were prepared) up to the date of this prospectus.

(e) Agency Fees and Commissions Received

The Underwriters will receive an underwriting commission as referred to in the section headed "Underwriting — Underwriting Arrangements and Expenses — Commissions and Expenses".

(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 Global Offering 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. Within the two years immediately preceding the date of this prospectus, 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 Global Offering and the related transactions described in this prospectus.

(i) Taxation of Holders of Shares

(A) Hong Kong

The sale, purchase and transfer of shares registered with our Hong Kong register of members 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 Global Offering are urged to consult their professional tax advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attached to them). None of our Company, our Directors or the other parties involved in the Global Offering 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 prospectus:

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 (in alphabetical order)	Licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) Registered Public Interest Entity Auditor under the Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
King & Wood Mallesons	Legal advisors to our Company as to PRC laws and PRC data compliance advisor
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 advisor and Hong Kong tax advisor

(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 prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included in this prospectus in the form and context in which it is respectively included.

(l) Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, 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 Prospectus

The English and Chinese language versions of this prospectus 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 "History, Reorganization and Corporate Structure", within the two years immediately preceding the date of this prospectus:

(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) 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 March 31, 2024 (being the end date of the periods reported on in the Accountant's Report included in Appendix I) up to the date of this prospectus;

(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 prospectus.

(d) The principal register of members of our Company will be maintained in the Cayman Islands by our Principal Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar.

(e) All necessary arrangements have been made to enable our Shares to be admitted into CCASS 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 prospectus 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 prospectus:

(a) the Memorandum and the Articles of Association;

(b) the Accountant's Report from PricewaterhouseCoopers, the text of which are set out in Appendix I;

(c) the report on unaudited pro forma financial information from PricewaterhouseCoopers, 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 and the three months ended March 31, 2024;

(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".

carote

Carote Ltd
卡羅特(商業)有限公司