

Carote Ltd
(incorporated in the Cayman Islands with limited liability)

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED DECEMBER 31, 2021, 2022 AND 2023
AND THE THREE MONTHS ENDED MARCH 31, 2024**

Independent Auditor's Report

To the Board of Directors of Carote Ltd
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Carote Ltd (the "Company") and its subsidiaries (the "Group"), which are set out on pages 4 to 93, comprise:

- the consolidated statements of financial position as at December 31, 2021, 2022 and 2023 and March 31, 2024;
- the company statements of financial position as at December 31, 2023 and March 31, 2024;
- the consolidated statements of profit or loss for the years ended December 31, 2021, 2022 and 2023 and the three months period ended March 31, 2024 (the "Relevant Periods");
- the consolidated statements of comprehensive income for the Relevant Periods;
- the consolidated statements of changes in equity for the Relevant Periods;
- the consolidated statements of cash flows for the Relevant Periods; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give 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 Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Other Matter

The comparative consolidated financial statements as at January 1, 2021 and for the three months period ended March 31, 2023 have not been audited.

Responsibilities of Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Restriction on Distribution and Use

The consolidated financial statements are prepared for the purpose of the preparation of financial information for inclusion in the prospectus of the Company in connection with the initial public offering of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. As a result, the consolidated financial statements may not be suitable for another purpose. Our report is intended solely for the board of directors of the Company and should not be distributed to or used by any other parties for any purpose.

A stylized, handwritten signature in blue ink that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 September 2024

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	Year ended December 31,			Three months ended March 31,	
		2021	2022	2023	2023	2024
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(Unaudited)</i>	
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		<u>126,523</u>	<u>275,290</u>	<u>565,141</u>	<u>110,698</u>	<u>209,417</u>
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		<u>32,699</u>	<u>124,142</u>	<u>271,188</u>	<u>63,219</u>	<u>104,888</u>
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		<u>3,344</u>	<u>2,308</u>	<u>7,125</u>	<u>1,339</u>	<u>739</u>
Profit before income tax		<u>36,043</u>	<u>126,450</u>	<u>278,313</u>	<u>64,558</u>	<u>105,627</u>
Income tax expense	11	(4,388)	(17,962)	(41,839)	(8,674)	(17,113)
Profit for the year/period		<u><u>31,655</u></u>	<u><u>108,488</u></u>	<u><u>236,474</u></u>	<u><u>55,884</u></u>	<u><u>88,514</u></u>
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)
		<u><u>31,655</u></u>	<u><u>108,488</u></u>	<u><u>236,474</u></u>	<u><u>55,884</u></u>	<u><u>88,514</u></u>
Earnings per share attributable to the equity holders of the Company (in RMB)						
Basic and diluted	12	<u>0.08</u>	<u>0.27</u>	<u>0.59</u>	<u>0.14</u>	<u>0.22</u>

The above consolidated statements of profit or loss should be read in conjunction with the accompany notes.

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	RMB'000
				(Unaudited)	
Profit for the year/period	<u>31,655</u>	<u>108,488</u>	<u>236,474</u>	<u>55,884</u>	<u>88,514</u>
Other comprehensive (loss)/income:					
<i>Items that may be reclassified to profit or loss</i>					
Currency translation differences on translation of foreign operations	(405)	2,456	3,062	(188)	500
<i>Item that will not be reclassified to profit or loss</i>					
Currency translation differences on translation of the Company	-	-	(42)	-	(23)
Other comprehensive (loss)/income for the year/period, net of tax	<u>(405)</u>	<u>2,456</u>	<u>3,020</u>	<u>(188)</u>	<u>477</u>
Total comprehensive income for the year/period	<u>31,250</u>	<u>110,944</u>	<u>239,494</u>	<u>55,696</u>	<u>88,991</u>
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)
	<u>31,250</u>	<u>110,944</u>	<u>239,494</u>	<u>55,696</u>	<u>88,991</u>

The above consolidated statements of comprehensive income should be read in conjunction with the accompany notes.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at January 1, 2021 <i>RMB'000</i> <i>(Unaudited)</i>	As at December 31, 2021 2022 2023 <i>RMB'000</i>			As at March 31, 2024 <i>RMB'000</i>
	Note					
ASSETS						
Non-current assets						
Property, plant and equipment	14	13,100	17,337	115,305	10,955	10,081
Right-of-use assets	15	1,139	60,984	58,447	6,905	6,098
Long-term bank time deposits	20	91,769	104,515	81,147	80,146	184,804
Deferred tax assets	29	292	1,136	3,103	6,865	4,780
Investments accounted for using the equity method	33	-	-	-	*	-
		<u>106,300</u>	<u>183,972</u>	<u>258,002</u>	<u>104,871</u>	<u>205,763</u>
Current assets						
Inventories	16	22,207	30,493	42,171	108,282	152,963
Trade receivables	17	48,667	63,628	55,307	73,854	71,798
Prepayments, other receivables and other current assets	18	11,273	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	20,714	40,000	50,062	-	-
Restricted cash	20	-	9,530	1,140	-	-
Cash and cash equivalents	20	36,268	97,738	42,480	236,064	264,169
		<u>139,129</u>	<u>256,068</u>	<u>295,088</u>	<u>531,186</u>	<u>589,410</u>
Total assets		<u>245,429</u>	<u>440,040</u>	<u>553,090</u>	<u>636,057</u>	<u>795,173</u>
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	6,858	28,179	46,636	(244,115)	(243,044)
Retained earnings		13,230	42,345	90,985	328,117	416,637
		<u>20,088</u>	<u>70,524</u>	<u>137,621</u>	<u>222,664</u>	<u>212,255</u>
Non-controlling interests		(29)	(90)	(368)	(43)	(49)
Total equity		<u>20,059</u>	<u>70,434</u>	<u>137,253</u>	<u>222,621</u>	<u>212,206</u>

* The balance represents an amount less than RMB1,000.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		As at	As at	As at	As at
		January 1,	December 31,	December 31,	March 31,
	Note	2021	2021	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000
		<i>(Unaudited)</i>			
LIABILITIES					
Non-current liabilities					
Borrowings	27	-	-	37,323	-
Lease liabilities	15	-	2,189	803	2,028
Deferred tax liabilities	29	-	25	-	303
Long-term payables	28	10,091	8,474	-	-
		<u>10,091</u>	<u>10,688</u>	<u>38,126</u>	<u>2,331</u>
				<u>2,331</u>	<u>2,227</u>
Current liabilities					
Trade and bills payables	25	163,037	281,968	276,232	358,634
Other payables and accruals	26、28	41,109	31,824	62,535	11,206
Current income tax liabilities		1,868	4,693	18,352	33,522
Borrowings	27	8,250	39,207	19,206	5,004
Lease liabilities	15	1,015	1,226	1,386	2,739
		<u>215,279</u>	<u>358,918</u>	<u>377,711</u>	<u>411,105</u>
				<u>411,105</u>	<u>580,740</u>
Total liabilities		<u>225,370</u>	<u>369,606</u>	<u>415,837</u>	<u>413,436</u>
				<u>413,436</u>	<u>582,967</u>
Total equity and liabilities		<u>245,429</u>	<u>440,040</u>	<u>553,090</u>	<u>636,057</u>
				<u>636,057</u>	<u>795,173</u>
Net current (liabilities)/assets		<u>(76,150)</u>	<u>(102,850)</u>	<u>(82,623)</u>	<u>120,081</u>
				<u>120,081</u>	<u>8,670</u>

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 4 to 93 were approved by the Board of Directors on September 19, 2024 and were signed on its behalf.

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Director

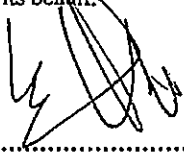
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Director

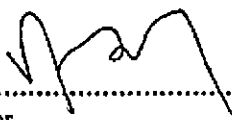
STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Note	As at December 31, 2023 RMB'000	As at March 31, 2024 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

The above statements of financial position of the Company should be read in conjunction with the accompanying notes.

The financial statements on pages 4 to 93 were approved by the Board of Directors on September 19, 2024 and were signed on its behalf.


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Director


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Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Attributable to owners of the Company								Non-controlling interests RMB'000	Total equity RMB'000
Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000					
Note									

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

Note	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Reserves	Retained earnings	Total		
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
As at January 1, 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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY(CONTINUED)

Attributable to owners of the Company										
Note		Shares held for shares					Retained earnings	Total	Non-controlling interests	Total equity
		Share capital	Share premium	Share award scheme	Reserves					
		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									
22	Cash contributions from the then shareholders	-	-	-	687	-	687	-	687	
22	Deemed distribution to shareholders pursuant to the disposal of assets	-	-	-	(89,360)	-	(89,360)	-	(89,360)	
21	Deemed distribution to shareholders pursuant to the Reorganization	-	-	-	(67,731)	-	(67,731)	-	(67,731)	
21	Issuance of ordinary shares in relation to the Reorganization	1,460	137,208	(6)	(137,982)	-	680	-	680	
	Acquisition of non-controlling shareholder's equity	-	-	-	(980)	-	(980)	980	-	
23	Share-based payment	-	-	-	1,598	-	1,598	-	1,598	
	Transaction with owners in their capacity as owners	1,460	137,208	(6)	(293,768)	-	(155,106)	980	(154,126)	
	As at December 31, 2023	1,460	137,208	(6)	(244,115)	328,117	222,664	(43)	222,621	

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

Attributable to owners of the Company								
Note	Shares held for shares award scheme				Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Share	Reserves 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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Note	Shares held				Total		
		Share capital	Share premium	Share award scheme	Reserves			
		RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
(Unaudited)								
As at January 1, 2023		-	-	-	46,636	90,985	(368)	137,253
Comprehensive income/(loss)								
Profit for the period		-	-	-	-	55,869	15	55,884
Currency translation differences on translation of foreign operations		-	-	-	(199)	-	11	(188)
Total comprehensive income/(loss)		-	-	-	(199)	55,869	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)
Transaction with owners in their capacity as owners		-	-	-	(89,360)	-	-	(89,360)
As at March 31, 2023		-	-	-	(42,923)	146,854	(342)	103,589

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

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 (Unaudited)	RMB'000
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 a related party	34	982	1,000	1,000	-	-
Loans to a related party	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)
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)
Deemed distribution to shareholders pursuant to disposal of assets	22	-	-	38,214	(528)	-
Repayment of loans with 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

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

II NOTES TO THE CONSOLIDATED 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:

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

1.2 Reorganization (Continued)

- (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 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:

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

1.2 Reorganization (Continued)

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 the report date	Note
				As at December 31,		March 31,			
				2021	2022	2023	2024		
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. 浙江卡羅特工贸有限公司 (“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%	NA	(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)
Gangle Kitchenware 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)

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

1.2 Reorganization (Continued)

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	
				2021	2022	2023	March 31, 2024	
Indirectly held:								
Carote Global Limited ("Carote Global")	Hong Kong / November 30, 2020	Procurement and sales of kitchenware, in Hongkong	USD100,000	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%	(i)
Carote Kitchenware Co., Ltd カロテー株式会社	Japan/ June 25, 2020	Procurement and sales of kitchenware, in Japan	JPY3,000,000	100%	100%	100%	100%	(i)
Carote International Limited (UK)	UK/ July 22, 1996	Procurement and sales of kitchenware, in the UK	-	100%	100%	100%	100%	(i)
Carote International Limited 卡羅特國際有限公司	Hong Kong/ March 25, 2015	Procurement and sales of kitchenware, in Hongkong	HKD10,000	100%	100%	100%	100%	(i)
Carote (Philippines) Kitchenware Ltd Corp.	Philippines/ August 16, 2021	Procurement and sales of kitchenware, in Philippines	PHP10,000,000	98%	98%	98%	98%	(i)
Carote Kitchenware (Singapore) Pte. Ltd.	Singapore/ September 22, 2018	Procurement and sales of kitchenware, in Singapore	SGD490,000	100%	100%	100%	100%	(i)
Carote USA LLC ("Carote USA")	USA/ December 2, 2019	Procurement and sales of kitchenware, in the USA	-	100%	100%	100%	100%	(i)

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

1.2 Reorganization (Continued)

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		
				2021	2022	2023	March 31, 2024	
Indirectly held:								
Carote Korea Co., Ltd	South Korea/ December 6, 2019	Procurement and sales of kitchenware, in South Korea	KRW1,000,000	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%	(i)
PT Carote Kitchenware Indonesia	Indonesia/ November 14, 2019	Procurement and sales of kitchenware, in Indonesia	RP6,000,000,000	100%	100%	100%	100%	(i)
Carote (Malaysia) Sdn. Bhd.	Malaysia/ November 11, 2019	Procurement and sales of kitchenware, in Malaysia	MYR1,000	100%	100%	100%	100%	(ii)
Carote Kitchenware (Australia) PTY Ltd ("Carote Australia")	Australia/ May 22, 2018	Procurement and sales of kitchenware, in Australia	AUD100	80%	80%	100%	100%	(i)
Carote Deutschland AG	Germany/ October 24, 2023	Procurement and sales of kitchenware, in Germany	EUR50,000	NA	NA	100%	100%	(i)
Carote (Canada) Kitchenware Ltd.	Canada/ April 24, 2024	Procurement and sales of kitchenware, in Canada	CAD10,000	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%	(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 NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

1.2 Reorganization (Continued)

- (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
	<u>RMB'000</u>	<u>RMB'000</u>
Investments in subsidiaries - capital contribution from shareholders for obtaining 100% equity interest of Operating Companies (Note 21)	137,982	137,982
Investment in subsidiaries - deemed investments arising from share-based payment (Note 22)	1,598	2,192
	<u>139,580</u>	<u>140,174</u>

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

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 consolidated financial statements are set out below. These policies have been consistently applied throughout the Relevant Periods, unless otherwise stated.

2.1 Basis of preparation

(i) Compliance with HKFRS Accounting Standards

The consolidated financial statements 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”).

These financial statements are the first financial statements prepared in accordance with Hong Kong Financial Reporting Standards, with transition date being January 1, 2021. HKFRS 1 “First-time Adoption of Hong Kong Financial Reporting Standards” has been applied in preparing these financial statements. However, the Group has not issued any financial statements prior to this report. Accordingly, no reconciliation of the Group’s equity and profits reported under previous accounting standards to its equity and profits under HKFRSs was prepared.

(ii) Historical cost convention

The financial statements has been prepared under the historical cost convention, except for financial assets and liabilities that are measure at fair value.

The preparation of the financial statements 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 financial statements are disclosed in Note 4.

(iii) New and amended standards and interpretations adopted by the Group

In preparation of the consolidated financial statements, 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.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(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 Instruments	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 entities' functional currency. The currencies giving rise to this risk are primarily US\$, as most sales and certain purchase of the Group are denominated in US\$. The management of the Group considers that the Group's exposure to foreign currency exchange risk is not significant due to most of the functional currency of the entities in Group is the same as the transaction currency.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

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 consolidated financial statements 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, approximately RMB nil, approximately RMB nil and approximately RMB nil respectively, mainly as a result of higher/lower of interest income on cash and cash equivalents netted with higher/lower interest expenses on the bank borrowings.

(iii) Price risk

The Group has no exposure to equity securities price risk.

(b) Credit risk

Credit risk arises from cash and cash equivalents, restricted cash, short-term bank time deposits, long-term bank time deposits, trade receivables and other receivables. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(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.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

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 January 1, 2021, December 31, 2021, 2022 and 2023 and March 31, 2024 was determined as follows for trade receivables:

	Within 3 months	Between 3 and 6 months	Between 6 and 9 months	Between 9 and 12 months	More than 1 year	Total
January 1, 2021 (<i>Unaudited</i>)						
Expected loss rate	0.03%	-	-	-	-	N/A
Gross carrying amount – trade receivables (RMB'000)	48,681	-	-	-	-	48,681
Loss allowance (RMB'000)	(14)	-	-	-	-	(14)
December 31, 2021						
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						
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						
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)

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

	Within 3 months	Between 3 and 6 months	Between 6 and 9 months	Between 9 and 12 months	More than 1 year	Total
March 31, 2024						
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

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(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 RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000	Carrying amount liabilities RMB'000
At January 1, 2021 (Unaudited)					
Borrowings (including interest payable) (Note 27)	8,310	-	-	8,310	8,250
Trade and bills payables (Note 25)	163,037	-	-	163,037	163,037
Other payables and accruals (excluding payroll and welfare payables and other tax payables) (Note 26)	34,903	-	-	34,903	34,903
Lease liabilities (Note 15)	1,033	-	-	1,033	1,015
Long-term payables	1,940	1,940	8,580	12,460	11,576
	209,223	1,940	8,580	219,743	218,781

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000	Carrying amount liabilities RMB'000
At December 31, 2021					
Borrowings (including interest payable) (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 RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000	Carrying amount liabilities RMB'000
At December 31, 2022					
Borrowings (including interest payable) (Note 27)	21,089	16,295	24,382	61,766	56,529
Trade and bills payables (Note 25)	276,232	-	-	276,232	276,232
Other payables and accruals (excluding payroll and welfare payables, other tax payables) (Note 26)	55,563	-	-	55,563	55,563
Lease liabilities (Note 15)	1,469	819	-	2,288	2,189
	354,353	17,114	24,382	395,849	390,513

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000	Carrying amount liabilities RMB'000
At December 31, 2023					
Borrowings (including interest payable) (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
	<u>370,603</u>	<u>2,100</u>	<u>-</u>	<u>372,703</u>	<u>372,344</u>

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000	Carrying amount liabilities RMB'000
At March 31, 2024					
Borrowings (including interest payable) (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
	<u>539,823</u>	<u>2,100</u>	<u>-</u>	<u>541,923</u>	<u>541,662</u>

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.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(a) Fair value hierarchy (Continued)

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 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At January 1, 2021 (<i>Unaudited</i>)				
Financial assets at fair value through profit or loss	<u>-</u>	<u>-</u>	<u>20,714</u>	<u>20,714</u>
At December 31, 2021				
Financial assets at fair value through profit or loss	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>40,000</u>
At December 31, 2022				
Financial assets at fair value through profit or loss	<u>-</u>	<u>-</u>	<u>50,062</u>	<u>50,062</u>
At December 31, 2023				
Financial assets at fair value through profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At March 31, 2024				
Financial assets at fair value through profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(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.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(c) Fair value measurements using significant unobservable inputs (level 3)

	Financial assets at fair value through profit or loss <i>RMB'000</i>
As at January 1, 2021 (<i>Unaudited</i>)	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	<u>40,000</u>
Includes unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period 2021	<u>-</u>
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	<u>50,062</u>
Includes unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period 2022	<u>-</u>
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	<u>-</u>
Includes unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period 2023	<u>-</u>

There were no financial asset at fair value through profit or loss since December 31, 2023.

Futher details of financial assets at FVPL as at January 1, 2021 and for the years ended December 31, 2021, 2022 and 2023, and the three months ended March 31, 2024 have been presented in Note 19.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(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 <i>RMB'000</i>	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
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 <i>RMB'000</i>	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
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 financial statements 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.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

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
	<u>675,345</u>	<u>768,482</u>	<u>1,583,082</u>	<u>291,829</u>	<u>502,917</u>

(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
	<u>675,345</u>	<u>768,482</u>	<u>1,583,082</u>	<u>291,829</u>	<u>502,917</u>

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

5 SEGMENT INFORMATION (CONTINUED)

(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	
	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.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

6 OTHER INCOME

	Year ended December 31,			Three months ended March 31,	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Government grants	359	1,539	3,115	-	800
Others	160	206	79	1	60
	<u>519</u>	<u>1,745</u>	<u>3,194</u>	<u>1</u>	<u>860</u>

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
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
	<u>913</u>	<u>(2,443)</u>	<u>15,500</u>	<u>1,967</u>	<u>5,166</u>

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

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	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(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
Auditors' remuneration - Audit services	19	40	40	10	10
Others	8,758	9,055	9,383	2,595	5,268
	<u>643,957</u>	<u>643,499</u>	<u>1,330,862</u>	<u>230,666</u>	<u>404,060</u>

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

9 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31,			Three months ended	
	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
	<u>25,184</u>	<u>21,502</u>	<u>27,323</u>	<u>7,415</u>	<u>9,722</u>

(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.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

9 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(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	
	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
	<u>2,406</u>	<u>3,072</u>	<u>4,648</u>	<u>438</u>	<u>756</u>

The emoluments of those individuals fell within the following bands:

	Year ended December 31,			Three months ended	
	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	-	-
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>4</u>

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

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	RMB'000
				(Unaudited)	
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.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

11 INCOME TAX EXPENSES(CONTINUED)

(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.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

11 INCOME TAX EXPENSES(CONTINUED)

(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	
	2021	2022	2023	2023	2024
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
				(Unaudited)	
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

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

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	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
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

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

12 EARNINGS PER SHARE(CONTINUED)

(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 years ended December 31, 2023 and the three months ended March 31, 2023 and 2024.

13 DIVIDENDS

Pursuant to the resolution of the then shareholders' meeting of Zhejiang Carote held on December 3, 2022, dividends of RMB50,000,000 were approved to be paid to its then shareholders of the Zhejiang Carote. The dividend was paid in cash in April 2023.

Pursuant to the resolution of the shareholders' meeting of the Company held on March 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.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

14 PROPERTY, PLANT AND EQUIPMENT

The detailed information of property, plant and equipment during the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2024 is as follows:

	Buildings RMB'000	Machinery and molds RMB'000	Vehicles RMB'000	Electronic equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
As at January 1, 2021 (Unaudited)						
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
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

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Machinery and molds RMB'000	Vehicles RMB'000	Electronic equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
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

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Machinery and molds RMB'000	Vehicles RMB'000	Electronic equipment and others RMB'000	Construction in progress RMB'000	Total 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).

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (i) Depreciation expenses have been charged to the consolidated statements of profit or loss as follows:

	Year ended December 31,			Three months ended	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
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
	<u>4,211</u>	<u>1,766</u>	<u>2,859</u>	<u>615</u>	<u>874</u>

- (ii) Depreciation is calculated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives as follows:

- Buildings	20 years
- Machinery and molds	3-10 years
- Vehicles	3-5 years
- Electronic equipment and others	3-5 years

Construction in progress represents unfinished construction and equipment under construction or pending for installation, and is stated at cost less impairment losses. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

15 LEASES

- (i) Amounts recognized in the consolidated statements of financial position

	As at January 1, 2021	As at December 31,			As at March 31, 2024
	2021	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Right-of-use assets					
Land use rights	-	57,159	56,005	-	-
Warehouse	-	-	-	5,684	5,182
Office	1,139	3,825	2,442	1,221	916
	<u>1,139</u>	<u>60,984</u>	<u>58,447</u>	<u>6,905</u>	<u>6,098</u>
Lease liabilities					
Current	1,015	1,226	1,386	2,739	2,771
Non-current	-	2,189	803	2,028	2,052
	<u>1,015</u>	<u>3,415</u>	<u>2,189</u>	<u>4,767</u>	<u>4,823</u>

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)).

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

15 LEASES (CONTINUED)

(i) Amounts recognized in the consolidated statements of financial position (Continued)

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	
	2021	2022	2023	2023	2024
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
				(Unaudited)	
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	-	-	-
	<u>1,487</u>	<u>2,621</u>	<u>1,684</u>	<u>305</u>	<u>807</u>
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)	<u>335</u>	<u>84</u>	<u>129</u>	<u>23</u>	<u>30</u>
	<u>1,853</u>	<u>2,844</u>	<u>1,942</u>	<u>354</u>	<u>893</u>

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.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

15 LEASES (CONTINUED)

(iii) The Group's leasing activities and how these are accounted for (Continued)

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.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

16 INVENTORIES

	As at January 1, 2021 RMB'000 (Unaudited)	As at December 31,			As at March 31, 2024 RMB'000
		2021 RMB'000	2022 RMB'000	2023 RMB'000	
Finished goods	14,919	24,976	42,059	107,335	152,320
Raw materials and parts	6,571	2,554	112	947	643
Work in progress	717	2,963	-	-	-
Less: provision for inventories	-	-	-	-	-
	<u>22,207</u>	<u>30,493</u>	<u>42,171</u>	<u>108,282</u>	<u>152,963</u>

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 January 1, 2021 RMB'000 (Unaudited)	As at December 31,			As at March 31, 2024 RMB'000
		2021 RMB'000	2022 RMB'000	2023 RMB'000	
Trade receivables	48,681	63,723	55,494	73,954	71,897
Less: allowance for impairment	(14)	(95)	(187)	(100)	(99)
Total	<u>48,667</u>	<u>63,628</u>	<u>55,307</u>	<u>73,854</u>	<u>71,798</u>

- (i) The carrying amounts of trade receivables approximated their fair value as at the balance sheet dates during the the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2024.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

17 TRADE RECEIVABLES (CONTINUED)

(ii) Aging analysis of trade receivables

As at January 1, 2021, 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 January 1, 2021 RMB'000 (Unaudited)	As at December 31, 2021 2022 2023 RMB'000 RMB'000 RMB'000			As at March 31, 2024 RMB'000
Less than 3 months	48,681	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
	<u>48,681</u>	<u>63,723</u>	<u>55,494</u>	<u>73,954</u>	<u>71,897</u>

(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.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

18 PREPAYMENTS, OTHER RECEIVABLES, AND OTHER CURRENT ASSETS

The Group

	As at January 1, 2021 RMB'000 (Unaudited)	As at December 31,			As at March 31, 2024 RMB'000
		2021 RMB'000	2022 RMB'000	2023 RMB'000	
Other receivables					
-Refundable deposits	498	2,011	8,306	9,529	14,882
-Export tax refundable	3,410	6,363	1,842	11,939	4,823
-Due from related parties (Note 34)	6,982	6,319	6,909	357	350
-Others	493	65	806	236	189
	11,383	14,758	17,863	22,061	20,244
Less: provision for impairment (Note 3.1)	(110)	(150)	(201)	(14)	(10)
	11,273	14,608	17,662	22,047	20,234
Prepaid listing expenses	-	-	-	1,987	4,405
Input VAT to be deducted	-	71	8,874	-	-
Total	11,273	14,679	26,536	24,034	24,639

- (i) As at January 1, 2021, December 31, 2021, 2022, 2023 and March 31, 2024, the carrying amounts of other receivables of the Group approximated their fair values.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

18 PREPAYMENTS, OTHER RECEIVABLES, AND OTHER CURRENT ASSETS (CONTINUED)

(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

	<u>As at December 31,</u> <u>2023</u> <i>RMB'000</i>	<u>As at March 31,</u> <u>2024</u> <i>RMB'000</i>
Prepaid listing expenses	<u>1,987</u>	<u>4,405</u>

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.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

18 PREPAYMENTS, OTHER RECEIVABLES, AND OTHER CURRENT ASSETS (CONTINUED)

(a) Other receivables

(i) Impairment and risk exposure

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
<i>(Unaudited)</i>				
Gross carrying amount as at January 1, 2021 (RMB'000)	11,383	-	-	11,383
Loss allowance as at January 1, 2021 (RMB'000)	(110)	-	-	(110)
Expected credit loss rate	0.97%	-	-	N/A
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

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

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 January 1, 2021 RMB'000 (Unaudited)	As at December 31, 2021 2022 2023 RMB'000 RMB'000 RMB'000			As at March 31, 2024 RMB'000
Investments in wealth management products issued by banks	20,714	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, 2021 2022 2023 RMB'000 RMB'000 RMB'000			Three months ended March 31, 2023 2024 RMB'000 RMB'000	
Fair value gains on financial assets at FVPL recognized in other gains (Note 7)	766	974	101	25	-

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

20 CASH AND BANK BALANCES

The Group

	As at January 1, 2021 <i>RMB'000</i> (Unaudited)	As at December 31,			As at March 31, 2024 <i>RMB'000</i>
		2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>	
Cash and bank balances	128,037	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	(91,769)	-	(30,000)	-	-
Cash and cash equivalents	<u>36,268</u>	<u>97,738</u>	<u>42,480</u>	<u>236,064</u>	<u>264,169</u>

(i) Cash at banks are denominated in the following currencies:

	As at January 1, 2021 <i>RMB'000</i> (Unaudited)	As at December 31,			As at March 31, 2024 <i>RMB'000</i>
		2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>	
-RMB	113,666	191,383	180,104	273,093	353,720
-USD	14,045	14,920	14,861	124,804	162,320
-JPY	159	1,372	2,456	2,955	1,812
-IDR	19	1,103	1,256	1,277	2,564
-INR	132	2,273	1,602	1,182	2,608
-PHP	-	34	531	1,229	574
-MYR	16	464	903	386	-
-SGD	-	174	292	53	45
-Others	-	60	154	183	1,171
	<u>128,037</u>	<u>211,783</u>	<u>202,159</u>	<u>405,162</u>	<u>524,814</u>

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

20 CASH AND BANK BALANCES (CONTINUED)

(ii) The Group's restricted cash comprised:

	As at January 1, 2021 <i>RMB'000</i> (Unaudited)	As at December 31, 2021 2022 2023 <i>RMB'000</i> <i>RMB'000</i> <i>RMB'000</i>			As at March 31, 2024 <i>RMB'000</i>
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 January 1, 2021, 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 <i>RMB'000</i>	As at March 31, 2024 <i>RMB'000</i>
Cash and cash equivalents	75	1,588

Cash and cash equivalents are denominated in:

	As at December 31, 2023 <i>RMB'000</i>	As at March 31, 2024 <i>RMB'000</i>
-HKD	68	50
-USD	7	1,538
	75	1,588

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

21 SHARE CAPITAL, SHARES HELD FOR SHARES AWARD SCHEME AND SHARE PREMIUM

The Group and the Company

	<u>Number of shares</u>	<u>Nominal value of shares</u> <i>USD'000</i>
Authorized		
As at February 3, 2023		
(date of incorporation) (a)	5,000,000	50,000
Addition (b)	<u>20,000,000</u>	<u>200,000</u>
As at December 31, 2023	25,000,000	250,000
Share subdivision (d)	<u>475,000,000</u>	<u>-</u>
As at March 31, 2024	<u>500,000,000</u>	<u>250,000</u>

	<u>Number of shares</u>	<u>Share capital</u> <i>USD'000</i>	<u>Share capital</u> <i>RMB'000</i>	<u>Share premium</u> <i>RMB'000</i>	<u>Shares held for shares award scheme</u> <i>RMB'000</i>
Issued					
As at February 3, 2023					
(date of incorporation)	-	-	-	-	-
Issuance of ordinary shares in relation to the					
Reorganization of the					
Group (c)	<u>20,282,930</u>	<u>203</u>	<u>1,460</u>	<u>137,208</u>	<u>(6)</u>
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)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>
As at March 31, 2024	<u>405,658,600</u>	<u>203</u>	<u>1,460</u>	<u>37,208</u>	<u>(6)</u>

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

21 SHARE CAPITAL, SHARES HELD FOR SHARES AWARD SCHEME AND SHARE PREMIUM (CONTINUED)

- (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 shareholders' 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.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

22 RESERVES

The Group

	Note	Capital reserve <i>RMB'000</i>	Share- based payment reserves <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Foreign currency translation reserve <i>RMB'000</i>	Total <i>RMB'000</i>
As at January 1, 2021(a) <i>(Unaudited)</i>		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	34	(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)

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

22 RESERVES (CONTINUED)

The Group

	Note	Capital reserve <i>RMB'000</i>	Share- based payment reserves <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Foreign currency translation reserve <i>RMB'000</i>	Total <i>RMB'000</i>
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		<u>(265,366)</u>	<u>2,192</u>	<u>15,000</u>	<u>5,130</u>	<u>(243,044)</u>

	Note	Capital reserve <i>RMB'000</i>	Share- based payment reserves <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Foreign currency translation reserve <i>RMB'000</i>	Total <i>RMB'000</i>
<i>(Unaudited)</i>						
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		<u>(59,360)</u>	<u>-</u>	<u>15,000</u>	<u>1,437</u>	<u>(42,923)</u>

- (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 永康可昇科技發展合夥企業(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.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

22 RESERVES (CONTINUED)

- (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 RMB'000	Share-based payment reserves RMB'000	Foreign currency translation reserve RMB'000	Total 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		<u>-</u>	<u>1,598</u>	<u>(42)</u>	<u>1,556</u>
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		<u>-</u>	<u>2,192</u>	<u>(65)</u>	<u>2,127</u>

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

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
	<u>1,598</u>	<u>-</u>	<u>594</u>

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 Limited Partnership 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.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

23 SHARE-BASED PAYMENT (CONTINUED)

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 January 1, 2021 RMB'000 (Unaudited)	As at December 31,			As at March 31, 2024 RMB'000
		2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000
Financial assets					
Financial assets at amortized cost:					
-Trade receivables (Note 17)	48,667	63,628	55,307	73,854	71,798
-Other receivables (Note 18)	11,273	14,608	17,662	22,047	20,234
-Cash and cash equivalents (Note 20)	36,268	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)	91,769	104,515	81,147	80,146	184,804
Financial assets at FVPL (Note 19)	20,714	40,000	50,062	-	-
	<u>208,691</u>	<u>330,019</u>	<u>325,190</u>	<u>501,063</u>	<u>616,846</u>
Financial liabilities					
Liabilities at amortized cost:					
-Trade and bills payables (Note 25)	163,037	281,968	276,232	358,634	425,383
-Other payables and accruals (excluding payroll and welfare payables, other tax payables) (Note 26)	36,388	24,755	55,563	3,939	106,452
-Borrowings (Note 27)	8,250	39,207	56,529	5,004	5,004
-Lease liabilities (Note 15)	1,015	3,415	2,189	4,767	4,823
-Long-term payables (Note 28)	10,091	8,474	-	-	-
	<u>218,781</u>	<u>357,819</u>	<u>390,513</u>	<u>372,344</u>	<u>541,662</u>

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

24 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Trade and bills payables, borrowings, lease liabilities, long-term payables and other payables and accruals are carried at amortized cost.

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3.1 The maximum exposure to credit risk at the end of the reporting periods is the carrying amount of each class of financial assets mentioned above.

25 TRADE AND BILLS PAYABLES

The Group

	As at January 1, 2021 RMB'000 (Unaudited)	As at December 31,			As at March 31, 2024 RMB'000
		2021 RMB'000	2022 RMB'000	2023 RMB'000	
Trade payables	86,877	144,748	138,752	195,464	182,193
Bills payables	76,160	137,220	137,480	163,170	243,190
	<u>163,037</u>	<u>281,968</u>	<u>276,232</u>	<u>358,634</u>	<u>425,383</u>

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 January 1, 2021, 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 January 1, 2021 RMB'000 (Unaudited)	As at December 31,			As at March 31, 2024 RMB'000
		2021 RMB'000	2022 RMB'000	2023 RMB'000	
Within 3 months	134,328	141,266	140,800	357,648	420,497
Between 3 months and 1 year	27,621	136,608	132,651	621	4,523
Over one year	1,088	4,094	2,781	365	363
	<u>163,037</u>	<u>281,968</u>	<u>276,232</u>	<u>358,634</u>	<u>425,383</u>

The carrying amounts of trade and bills payables approximated their fair values due to their short-term in nature.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

26 OTHER PAYABLES AND ACCRUALS

The Group

	As at January 1, 2021 <i>RMB'000</i> <i>(Unaudited)</i>	As at December 31, 2021 2022 2023 <i>RMB'000</i> <i>RMB'000</i> <i>RMB'000</i>			As at March 31, 2024 <i>RMB'000</i>
Accrued freight expenses	1,196	1,890	2,589	3,470	2,541
Payroll and welfare payables	1,781	2,910	716	2,576	1,039
Dividend payable	-	-	50,000	-	100,000
Amounts due to related parties (Note 34)	33,198	20,704	2,183	-	-
Accrued advertising and publicity expenses	135	404	196	-	194
Current portion of long-term payables (Note 28)	1,485	1,617	-	-	-
Other taxes payables	2,940	4,159	6,256	4,691	7,226
Payable for listing expenses	-	-	-	-	3,156
Others	374	140	595	469	561
	<u>41,109</u>	<u>31,824</u>	<u>62,535</u>	<u>11,206</u>	<u>114,717</u>

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, 2023 <i>RMB'000</i>	As at March 31, 2024 <i>RMB'000</i>
Dividend payable	-	100,000
Amounts due to subsidiaries	2,707	9,091
Payable for listing expenses	-	3,156
	<u>2,707</u>	<u>112,247</u>

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

27 BORROWINGS

	As at January 1, 2021 RMB'000 (Unaudited)	As at December 31,			As at March 31, 2024 RMB'000
		2021 RMB'000	2022 RMB'000	2023 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	-	-	-
– Short-term bank borrowings, secured and guaranteed	8,250	-	-	-	-
	8,250	39,207	19,206	5,004	5,004
	8,250	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 January 1, 2021, December 31, 2021, 2022 and 2023 and March 31, 2024, the Group's borrowings were repayable as follows:

	As at January 1, 2021 RMB'000 (Unaudited)	As at December 31,			As at March 31, 2024 RMB'000
		2021 RMB'000	2022 RMB'000	2023 RMB'000	
Within 1 year	8,250	39,207	19,206	5,004	5,004
Between 1 and 2 years	-	-	15,000	-	-
Between 2 and 5 years	-	-	22,323	-	-
	8,250	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 January 1, 2021 RMB'000 (Unaudited)	As at December 31,			As at March 31, 2024 RMB'000
		2021 RMB'000	2022 RMB'000	2023 RMB'000	
RMB	8,250	26,427	42,329	5,004	5,004
USD	-	12,780	14,200	-	-
	8,250	39,207	56,529	5,004	5,004

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

27 BORROWINGS (CONTINUED)

The weighted average effective interest rates per annum for January 1, 2021 and the years ended December 31, 2021, 2022 and 2023 and March 31, 2024 were as follows:

	As at January 1, 2021 RMB'000 (Unaudited)	As at December 31, 2021 2022 2023 RMB'000 RMB'000 RMB'000			As at March 31, 2024 RMB'000
RMB	4.4%	4.0%	4.1%	3.1%	3.1%
USD	NA	0.5%	2.3%	NA	NA

The securities and guarantees to the borrowings are as follows:

- (i) As at January 1, 2021, the borrowings of RMB8,250,000 were guaranteed by Ms. Lyu, Yongkang Yangxi Color Printing Packaging Factory 永康市楊溪彩印包裝廠 (“Yangxi”), Mr. Zhang zhihui 章之慧, Ms Lu zhumei 盧竹眉 and Mr. Zhang, and were secured by the pledge of a building owned by Ms. Lyu with carrying value of RMB15,000,000.

- (ii) 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).

- (iii) 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).

- (iv) 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).

- (v) 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).

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

28 LONG-TERM PAYABLES

	As at January 1, 2021 RMB'000 (Unaudited)	As at December 31,			As at March 31, 2024 RMB'000
		2021 RMB'000	2022 RMB'000	2023 RMB'000	
Long-term payables	11,576	10,091	-	-	-
Less: current portion of long-term payables	(1,485)	(1,617)	-	-	-
	10,091	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 March 30, 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.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

29 DEFERRED INCOME TAX

	As at January 1, 2021 RMB'000 (Unaudited)	As at December 31,			As at March 31, 2024 RMB'000
		2021 RMB'000	2022 RMB'000	2023 RMB'000	
Deferred income tax assets:					
-to be recovered within 12 months	463	1,096	3,348	7,295	5,212
-to be recovered after more than 12 months	-	589	121	303	308
Total deferred tax assets	463	1,685	3,469	7,598	5,520
Net-off with deferred tax liabilities	(171)	(549)	(366)	(733)	(740)
Net deferred income tax assets	292	1,136	3,103	6,865	4,780
Deferred income tax liabilities:					
-to be settled within 12 months	171	208	183	484	183
-to be settled after more than 12 months	-	366	183	552	732
Total deferred tax liabilities	171	574	366	1,036	915
Net-off with deferred tax assets	(171)	(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:

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

29 DEFERRED INCOME TAX (CONTINUED)

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 <i>(Unaudited)</i>	19	152	-	292	463
Credited to profit or loss	18	361	588	255	1,222
As at December 31, 2021	<u>37</u>	<u>513</u>	<u>588</u>	<u>547</u>	<u>1,685</u>
Credited/(charged) to profit or loss	22	(184)	418	1,345	1,601
Currency translation differences	-	-	183	-	183
As at December 31, 2022	<u>59</u>	<u>329</u>	<u>1,189</u>	<u>1,892</u>	<u>3,469</u>
(Charged)/credited to profit or loss	(41)	386	(1,012)	4,973	4,306
Currency translation differences	-	-	(177)	-	(177)
As at December 31, 2023	<u>18</u>	<u>715</u>	<u>-</u>	<u>6,865</u>	<u>7,598</u>
(Charged)/credited to profit or loss	(1)	8	1,380	(3,465)	(2,078)
As at March 31, 2024	<u>17</u>	<u>723</u>	<u>1,380</u>	<u>3,400</u>	<u>5,520</u>

Deferred income tax liabilities:

	Right-of-use assets
	RMB'000
As at January 1, 2021 <i>(Unaudited)</i>	171
Credited to profit or loss	403
As at December 31, 2021	<u>574</u>
Charged to profit or loss	(208)
As at December 31, 2022	<u>366</u>
Credited to profit or loss	1,036
As at December 31, 2023	<u>(208)</u>
Charged to profit or loss	(121)
As at March 31, 2024	<u>915</u>

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

29 DEFERRED INCOME TAX (CONTINUED)

The expiration of tax losses carried forward for which deferred income tax assets is not recognized is as follows:

	As at January 1, 2021 <i>RMB'000</i> (Unaudited)	As at December 31, 2021 2022 2023 <i>RMB'000 RMB'000 RMB'000</i>			As at March 31, 2024 <i>RMB'000</i>
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	184	4,050	4,715	11,484	5,911
	<u>184</u>	<u>4,081</u>	<u>7,596</u>	<u>14,799</u>	<u>9,226</u>

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 CASH FLOW INFORMATION

(a) Reconciliation of profit before income tax to cash generated from operations

	Year ended December 31,			Three months ended	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
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

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 CASH FLOW INFORMATION (CONTINUED)

(a) Reconciliation of profit before income tax to cash generated from operations (Continued)

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	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
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	-	-	-

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

	Borrowings	Loans from a related party	Lease liabilities	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>(Unaudited)</i>				
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	<u>(39,207)</u>	<u>(18,521)</u>	<u>(3,415)</u>	<u>(61,143)</u>
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	<u>(56,529)</u>	<u>-</u>	<u>(2,189)</u>	<u>(58,718)</u>
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	<u>(5,004)</u>	<u>-</u>	<u>(4,767)</u>	<u>(9,771)</u>
Cash flows from financing activities	40	-	30	70
Acquisitions	-	-	(30)	(30)
Interest accrued	(40)	-	(56)	(96)
Net debt as at March 31, 2024	<u>(5,004)</u>	<u>-</u>	<u>(4,823)</u>	<u>(9,827)</u>
<i>(Unaudited)</i>				
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	<u>(19,059)</u>	<u>-</u>	<u>(2,215)</u>	<u>(21,274)</u>

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 CASH FLOW INFORMATION (CONTINUED)

(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
	2021	2022	2023	March 31,
	RMB'000	RMB'000	RMB'000	2024
				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	As at December 31,			As at
	January 1,	2021	2022	2023	March 31,
	2021	RMB'000	RMB'000	RMB'000	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
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 NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

33 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (CONTINUED)

- (ii) Set out below are the details of the associate of the Group as at December 31, 2023 and March 31, 2024.

Name of entity	Place of business/ country of incorporation	% of ownership interest		Principal activities
		As at December 31, 2023	As at March 31, 2024	
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
Yangxi	Controlled by Ms. Lyu
Zhejiang Taige Electric	Associate
Zhejiang Lesheng	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.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

34 RELATED PARTY TRANSACTIONS (CONTINUED)

(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 directors' remuneration as disclosed in Note 35, was as follows:

	Year ended December 31,			Three months ended	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
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
	<u>1,267</u>	<u>1,846</u>	<u>3,119</u>	<u>251</u>	<u>913</u>

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

34 RELATED PARTY TRANSACTIONS (CONTINUED)

(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	RMB'000
				(Unaudited)	
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 Lesheng	-	-	6,019	-	-
Payment of lease liabilities					
Zhejiang Lesheng	-	-	2,100	-	-
Interest expenses of lease liabilities					
Zhejiang Lesheng	-	-	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	-	-	-

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

34 RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Transactions with related parties (Continued)

	Year ended December 31,			Three months ended	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Repayment of loans to a related party					
Zhejiang Taige Electric	-	-	-	-	7
Shijimei	-	-	4,000	-	-
Ms. Lyu	-	-	1,909	-	-
COMOK LIMITED	-	319	-	-	-
	<u>-</u>	<u>319</u>	<u>5,909</u>	<u>-</u>	<u>7</u>

Proceeds from a related party

Mr. Li and Xinjie	<u>982</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>-</u>
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Repayment of long-term payables on behalf of a related party (Note 28)

Mr. Li and Xinjie	<u>1,940</u>	<u>10,520</u>	<u>-</u>	<u>-</u>	<u>-</u>
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(g) Balances with related parties

	As at	As at December 31,			As at
	January 1,	2021	2022	2023	March 31,
	2021	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2024
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>				
Trade receivables (trade in nature)					
Shijimei	-	2,311	-	-	-
Less: allowance for credit losses	-	(1)	-	-	-
	<u>-</u>	<u>2,310</u>	<u>-</u>	<u>-</u>	<u>-</u>

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

34 RELATED PARTY TRANSACTIONS (CONTINUED)

(g) Balances with related parties (Continued)

	As at January 1, 2021 RMB'000 (Unaudited)	As at December 31, 2021 2022 2023 RMB'000 RMB'000 RMB'000			As at March 31, 2024 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 January 1, 2021 RMB'000 (Unaudited)	As at December 31, 2021 2022 2023 RMB'000 RMB'000 RMB'000			As at March 31, 2024 RMB'000
Other receivables (non-trade in nature)					
Zhejiang Taige Electric	-	-	-	7	-
Shijimei	4,000	4,000	4,000	-	-
Ms. Lyu	-	-	1,909	-	-
Xinjie	2,982	2,000	1,000	-	-
COMOK LIMITED	-	319	-	-	-
	6,982	6,319	6,909	7	-
Less: allowance for credit losses	-	-	(56)	(1)	(1)
	6,982	6,319	6,853	356	349

	As at January 1, 2021 RMB'000 (Unaudited)	As at December 31, 2021 2022 2023 RMB'000 RMB'000 RMB'000			As at March 31, 2024 RMB'000
Other payables (trade in nature)					
Shijimei	2,183	2,183	2,183	-	-
Other payables (non-trade in nature)					
Ms. Lyu	31,015	18,521	-	-	-
	33,198	20,704	2,183	-	-

As at January 1, 2021, December 31, 2021 and 2022, the amount of other payables to Shijimei was a deposit for sales of product.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

34 RELATED PARTY TRANSACTIONS (CONTINUED)

(g) Balances with related parties (Continued)

	As at January 1, 2021 RMB'000 (Unaudited)	As at December 31,			As at March 31, 2024 RMB'000
		2021 RMB'000	2022 RMB'000	2023 RMB'000	
Trade payables (trade in nature)					
Yangxi	14,159	4,456	-	-	-
Lease liabilities (trade in nature)					
Zhejiang Leshengen	-	-	-	3,964	4,010

As at January 1, 2021, 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) Directors' emoluments

The remuneration of directors is set out below:

Name	Fees	Wages, salaries and bonuses	Share award scheme	Pension costs-defined contribution plans	Other social security costs, housing benefits and other employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2021:						
Executive directors:						
Mr. Zhang	-	60	-	7	7	74
Ms. Lyu	-	-	-	-	-	-
	-	60	-	7	7	74

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

35 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

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, 2022:						
Executive directors:						
Mr. Zhang	-	120	-	6	8	134
Ms. Lyu	-	60	-	7	8	75
	-	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
	-	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. 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.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

35 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

*Mr.Xia has been appointed as executive director from March 4, 2024.

(b) Directors' 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 directors' services

No consideration was provided to third parties for making available directors' 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) Directors' 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.]

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

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.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

37 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

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 financial statements 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.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

37 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

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.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

37 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

37.4 Investments and other financial assets (Continued)

(c) Measurement (Continued)

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.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

37 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

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.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

37 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

37.10 Provisions (Continued)

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 financial statements. 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.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

37 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

37.12 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current income tax assets and liabilities and where the deferred income tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity respectively.

37.13 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheets.

(b) Pension obligations

Full-time employees in the PRC are covered by various government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no further payment obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for an employee are not available to reduce the Group's future obligations to such defined contribution pension plans even if the employee leaves.

(c) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

37 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

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 financial statements. 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 financial statements in the year in which the dividends are approved by the entities' shareholders or directors, where appropriate.

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

37 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

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.