

# Carote Ltd

卡羅特(商業)有限公司

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

Stock Code: 2549

# carote

## 2024

ANNUAL REPORT

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# DEFINITIONS

"Board"	the board of Directors
"Carote (Singapore) Management"	Carote (Singapore) Management Pte. Ltd, a limited liability company incorporated in Singapore and one of our subsidiaries
"Carote Global"	Carote Global Limited (卡羅特環球有限公司), a limited liability company incorporated in Hong Kong SAR and one of our subsidiaries
"Carote Philippines"	Carote (Philippines) Kitchenware Ltd Corp., a limited liability company incorporated in the Philippines and one of our subsidiaries
"China" or "the PRC"	the People's Republic of China, and for the purposes of this annual report only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
"CIC"	China Insights Industry Consultancy Limited (灼識企業管理諮詢(上海)有限公司), a market research and consulting company, which is an independent third party
"Company", "we", "us", or "our"	Carote Ltd 卡羅特(商業)有限公司, a company with limited liability incorporated in the Cayman Islands on February 3, 2023 and listed on the Stock Exchange on October 2, 2024 (Stock Code: 2549)
"Corresponding Period of the Previous Year"	the year ended December 31, 2023
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Corporate Governance Code", or "CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, as amended from time to time
"Director(s)"	the director(s) of the Company
"Group", "the Group", "we", "us", or "our"	the Company and its subsidiaries from time to time, and where the context requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
"HKD" or "HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HKFRS"	Hong Kong Financial Reporting Standards, which collectively include Hong Kong Accounting Standards and related interpretations, promulgated by the Hong Kong Institute of Certified Public Accountants

## DEFINITIONS

"Latest Practicable Date"	April 25, 2025, being the latest practicable date for the purpose of ascertaining certain information in this report prior to its publication
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	October 2, 2024, on which the Shares were first listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, as amended from time to time
"Mr. Zhang"	Mr. Zhang Guodong (章國棟), an executive Director of our Company and the spouse of Ms. Lyu
"Ms. Lyu"	Ms. Lyu Yili (呂伊俐), an executive Director of our Company and the spouse of Mr. Zhang
"Prospectus"	the prospectus of the Company dated September 23, 2024
"Reporting Period"	the year ended December 31, 2024
"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"SFO" or "Securities and Futures Ordinance"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	the ordinary shares of US\$0.0005 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it under the Listing Rules
"US\$", "USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"Zhejiang Leshengen"	Zhejiang Leshengen Trading Co., Ltd* (浙江樂昇恩商貿有限公司), a company formed by way of company division of Zhejiang Carote and deemed to be established in China with limited liability on February 8, 2023 and which is ultimately controlled by Mr. Zhang and Ms. Lyu
"%"	per cent.



# CORPORATE INFORMATION

## Directors

### Executive Directors

Mr. ZHANG Guodong (章國棟)  
(Chairman and Chief Executive Officer)  
Ms. LYU Yili (呂伊俐)  
Mr. XIA Chenhao (夏宸顥)

### Independent Non-executive Directors

Ms. YEUNG Shuet Fan Pamela (楊雪芬)  
Dr. CHAN Tin Wai David (陳天衛)  
Mr. SHI Zhoufeng (施周峰)

### Audit Committee

Mr. SHI Zhoufeng (施周峰) (Chairperson)  
Ms. YEUNG Shuet Fan Pamela (楊雪芬)  
Dr. CHAN Tin Wai David (陳天衛)

### Nomination Committee

Ms. YEUNG Shuet Fan Pamela (楊雪芬) (Chairperson)  
Mr. SHI Zhoufeng (施周峰)  
Ms. LYU Yili (呂伊俐)

### Remuneration Committee

Dr. CHAN Tin Wai David (陳天衛) (Chairperson)  
Ms. YEUNG Shuet Fan Pamela (楊雪芬)  
Mr. ZHANG Guodong (章國棟)

### Company Secretary

Ms. CHAN Yuen Mui (陳婉梅)

### Authorized Representatives

Mr. ZHANG Guodong (章國棟)  
Ms. CHAN Yuen Mui (陳婉梅)

## Registered Office

Harneys Fiduciary (Cayman) Limited  
4th Floor, Harbour Place  
103 South Church Street  
P.O. Box 10240  
Grand Cayman KY1-1002  
Cayman Islands

## Head Office and Principal Place of Business in China

3rd – 5th Floor  
Unit 1, Tower 6  
Sunshine City, Xiaoshan District  
Hangzhou City, Zhejiang Province  
China

## Principal Place of Business in Hong Kong

46th Floor, Hopewell Centre  
183 Queen's Road East  
Wan Chai  
Hong Kong

## Auditor

PricewaterhouseCoopers  
Certified Public Accountants  
Registered Public Interest Entity Auditor  
22/F, Prince's Building  
Central  
Hong Kong

## Principal Share Registrar and Transfer Office

Harneys Fiduciary (Cayman) Limited  
4th Floor, Harbour Place  
103 South Church Street  
P.O. Box 10240  
Grand Cayman KY1-1002  
Cayman Islands

## Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wan Chai  
Hong Kong

## Hong Kong Legal Advisor

King & Wood Mallesons  
13th Floor, Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

## Compliance Advisor

Caitong International Capital Co., Limited  
Unit 2401–05, 24/F  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

## Principal Banks

HSBC Bank (China) Company Limited  
27 Floor, HSBC Building  
Shanghai IFC  
8 Century Avenue  
Shanghai  
China

## Company Website

[www.mycarote.com](http://www.mycarote.com)

## Stock Code

2549

# RESULTS HIGHLIGHTS

A summary of the results and of the assets and liabilities of our Group for the last four financial years, is set out below:

## Condensed Consolidated Statement of Profit or Loss

	For the Year Ended December 31,			
	2021 (RMB'000)	2022 (RMB'000)	2023 (RMB'000)	2024 (RMB'000)
Revenue	675,345	768,482	1,583,082	2,073,251
Cost of sales	(548,822)	(493,192)	(1,017,941)	(1,237,854)
Gross Profit	126,523	275,290	565,141	835,397
Profit for the year	31,655	108,488	236,474	355,960

## Condensed Consolidated Statement of Financial Position

	As at December 31,			
	2021 (RMB'000)	2022 (RMB'000)	2023 (RMB'000)	2024 (RMB'000)
Current asset	256,068	295,088	531,186	1,454,078
Non-current asset	183,972	258,002	104,871	267,673
<b>Total asset</b>	440,040	553,090	636,057	1,721,751
Current liabilities	358,918	377,711	411,105	466,068
Non-current liabilities	10,688	38,126	2,331	–
<b>Total liabilities</b>	369,606	415,837	413,436	466,068
<b>Net current (liabilities)/assets</b>	(102,850)	(82,623)	120,081	988,010
<b>Net assets</b>	70,434	137,253	222,621	1,255,683

Note:

- Shares of the Company were listed on the Main Board of the Stock Exchange on October 2, 2024.

## Summary of Key Financial Metrics

	2021	2022	2023	2024
Revenue growth rate	N/A	13.8%	106.0%	<b>31.0%</b>
Gross profit margin	18.7%	35.8%	35.7%	<b>40.3%</b>
Net profit margin	4.7%	14.1%	14.9%	<b>17.2%</b>
Average inventory turnover days <sup>(1)</sup>	17.5	26.9	27.0	<b>38.8</b>
Average trade receivables turnover days <sup>(2)</sup>	33.6	28.3	14.9	<b>14.1</b>
Average trade and bills payables turnover days <sup>(3)</sup>	148.0	206.6	113.8	<b>111.4</b>
Gearing ratio <sup>(4)</sup>	60.5%	42.8%	4.4%	<b>0.3%</b>

### Notes:

- (1) Average inventory turnover days equal the average of the opening and closing inventory balances of the period indicated divided by the cost of sales of the same period and multiplied by 365 days for a full-year period.
- (2) Average trade receivables turnover days equal the average of the opening and closing balances of gross carrying amount of trade receivables of the period indicated divided by the revenue of the same period and multiplied by 365 days for a full-year period.
- (3) Average trade and bills payables turnover days equal the average of the opening and closing balances of trade and bills payables of the period indicated divided by the cost of sales of the same period and multiplied by 365 days for a full-year period.
- (4) Gearing ratio equals total debts, comprising current and non-current borrowings and lease liabilities, divided by total equity as of the end of the period indicated.

# CHAIRMAN'S STATEMENT

## Our Mission and Vision

We are committed to creating a refined lifestyle for everyone to enjoy cooking and dining time at home with high-quality products.

Since launching the CAROTE brand in 2016, we have been driven by such vision and mission, dedicated to providing global customers with practical, well-designed, and reasonably priced products, promoting a modern cooking lifestyle. Through our commitment, we have established a strong presence in the online cookware sector across major markets in China, the US, Western Europe, Southeast Asia, and Japan, positioning us as one of the world's fastest-growing cookware brands.

## Year 2024: A Foundation for Future

In 2024, the global economic and market environment was complex and challenging. CAROTE remained resilient, guided by our vision and mission, and adhering to our long-term development strategy. We focused on brand building and channel expansion, achieving steady growth in our business performance.

In 2024, we recorded a sales revenue of RMB2,073.3 million, representing a year-on-year increase of approximately 31.0%. Our net profit attributable to shareholders reached RMB356.0 million, marking a year-on-year growth of approximately 50.5%. These results reflect the effectiveness of our long-term development strategy.

2024 marked a significant milestone for us. On October 2, 2024, we successfully completed our initial public offering and listed on the Main Board of the Stock Exchange. The Listing not only provided us with additional resources but also strengthened our risk-resistance capabilities. It established a modern corporate governance framework for our Group and created opportunities for sustainable growth. As a publicly-traded company, we are better positioned to expand our business network and attract global talent.

We recognize that going public is not an endpoint, but the beginning of a new chapter, one that leads us towards high-quality development.

## Continuous Innovation to Meet Consumer Needs

Our business progress stems from our understanding of market needs and our commitment to delivering better products. Our deep understanding of consumers forms the foundation of our business. By leveraging our agility in product design and development, along with our robust manufacturing and supply chain resources, we strive to launch innovative cookware products that meet diverse consumer needs worldwide. In 2024, we continued this approach, driving growth in our main global markets.

In terms of channel expansion, we made notable progress. In the United States and Japan, our online sales grew significantly, and we successfully entered the offline market. We also expanded our reach to more emerging regions. Beyond our core cookware offerings, in 2024, consumers globally found CAROTE's innovative products in more categories, adding convenience and novelty to their lives.

## Outlook

In 2025, the global economic recovery remains uncertain. We remain committed to our long-term development strategy. We will continue to focus on product development and diversification, sales channels and geographical expansion. By emphasizing quality, innovation, and customer service, we aim to enhance our global brand presence.

At the same time, we believe that strengthening our internal capabilities is the key to addressing the challenges. We will optimize our organisational structure, enhance our supply chain, and build a stronger talent pool. Despite being a young brand, CAROTE is supported by a dynamic and forward-thinking management and business team, who are passionate about cooking and dedicated to bringing the CAROTE brand to every corner of the world. We are confident in our potential for the future.

In closing, I would like to express my sincere thanks to our management and employees for your hard work and dedication. I am also grateful to all our business partners, consumers and investors for your continued support and trust in our Group.

**ZHANG Guodong**

*Chairman, Executive Director and Chief Executive Officer*

March 26, 2025

# MANAGEMENT DISCUSSION AND ANALYSIS

## MACRO AND INDUSTRY ENVIRONMENT

In 2024, the global kitchenware industry, particularly the cookware industry, continued to experience steady growth, driven by evolving consumer preferences for high-quality, durable, and innovative products. The ongoing trend of modern cooking lifestyles, coupled with rising urbanization and disposable incomes, particularly in emerging markets, supported demand for high quality kitchenware and cookware. In the PRC, the cookware industry in 2024 benefited from the country's strong manufacturing base and the rising growth in per capita disposal income of urban residents, which continued to drive demand for cookware. However, the industry faced challenges such as fluctuating raw material costs, supply chain disruptions, heightened geopolitical tensions, imposition of U.S. tariffs on Chinese export including the lingering effects of trade disputes and economic uncertainties. The U.S. and China trade policy has given rise to the imposition of additional tariffs on products imported into the United States from China, and vice versa. The U.S. tariffs imposed on certain Chinese-manufactured goods, including kitchenware products, remain a material risk for the exporters to the U.S. In February and March 2025, the United States officially launched the measures of tariff increase on China. Given that part of the Group's revenue is derived from exports to the U.S. market, any sustained or increased U.S. tariff rates could adversely impact pricing competitiveness, and profit margins of the Group. The Company has implemented measures to mitigate such risk, such as optimizing its supply chain and exploring alternative markets in 2024 including Eastern Europe, South America and Australia.



As the industry continues to grow, there is also a gradual shift in distribution channels from traditional offline sales to online sales. The shift is mainly attributable to the popularity of the online marketplace that promotes higher efficiency in logistics and delivery. While traditional offline sales continue to account for most of the kitchenware sales, there has been a noticeable shift towards online purchasing, especially in countries such as China and the United States. Companies increasingly adopted a multi-channel approach to enhance market reach and cater to diverse consumer preferences.

According to the independent industry report of CIC, the global cookware market increased from US\$27.8 billion to US\$30.9 billion in 2023, representing a compound annual growth rate ("CAGR") of 2.7% from 2019 to 2023, and is expected to further reach US\$36.3 billion by 2028, with a CAGR of 3.2% from 2023 to 2028.



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

We are a global brand for kitchenware products. Within nine years since we launched our brand “CAROTE” in 2016, we have achieved a notable presence in the online kitchenware segment across key markets, including China, the United States, Western Europe, Southeast Asia, and Japan, making us one of the fastest-growing kitchenware brands globally. Our products are built to emphasize “Better for Use” and “Better for Value”, aiming to provide our customers with practical, well-designed, and reasonably priced items that promote a modern cooking lifestyle. We have been operating both the ODM business and branded business, with the latter being our strategic focus for future growth.

As a global brand for kitchenware products, we are always dedicated to enhancing consumers’ culinary experiences by delivering high-quality, innovative, and stylish kitchenware products at affordable prices. Benefiting from our effective market strategy, strong product development capability, and efficient cost control, we maintained a strong growth momentum in 2024. During the Reporting Period, our total revenue was approximately RMB2,073.3 million (same period in 2023: approximately RMB1,583.1 million), representing a year-on-year increase of approximately 31.0%. The growth was driven by extensive product offerings of our branded business which captured opportunities in different market segments.





# MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, our gross profit amounted to approximately RMB835.4 million (same period in 2023: approximately RMB565.1 million), representing a year-on-year increase of approximately 47.8%, and our gross profit margin reached 40.3% (same period in 2023: 35.7%). The Group's net profit increased by approximately 50.5% from approximately RMB236.5 million for the Corresponding Period of the Previous Year to approximately RMB356.0 million for the Reporting Period, adjusted net profit\* increased by approximately 57.9% from approximately RMB242.5 million for the Corresponding Period of the Previous Year to approximately RMB383.0 million for the Reporting Period, and adjusted net profit margin\* increased from approximately 15.3% for the Corresponding Period of the Previous Year to approximately 18.5% for the Reporting Period.

\* For details of the adjusted net profit based on the non-HKFRS measures, please refer to the paragraph headed "Reconciliation of the Non-HKFRS Measures to the Nearest HKFRS Measures" in this report.



## MANAGEMENT DISCUSSION AND ANALYSIS

In 2024, the Group's branded business demonstrated robust growth, with revenue increasing by approximately 34.8% year-on-year from approximately RMB1,379.9 million for the Corresponding Period of the Previous Year to approximately RMB1,860.6 million for the Reporting Period, accounting for 89.7% of our total revenue for the Reporting Period. This growth was driven by the successful expansion of sales channels, particularly in the United States, where revenue surged by approximately 69.0% year-on-year to approximately RMB1,251.1 million for the Reporting Period. The branded business benefited from increased online sales, particularly through platforms beyond Amazon, as well as the diversification of product lines to cater to diverse consumer needs. The gross profit margin for the branded business improved to approximately 43.5% for the Reporting Period, up from approximately 39.2% for the Corresponding Period of the Previous Year, reflecting better procurement efficiencies and higher sales prices in key markets like the United States.

Our ODM business experienced more modest growth, with revenue increasing by approximately 4.7% year-on-year from approximately RMB203.2 million for the Corresponding Period of the Previous Year to approximately RMB212.7 million for the Reporting Period, representing approximately 10.3% of total revenue for the Reporting Period. Our ODM business maintained a stable gross profit margin of approximately 11.9% for the Reporting Period (same period in 2023: approximately 11.8%) as the business continued to focus on cost control and operational efficiency. While the ODM business contributed less significantly to overall revenue compared to the branded segment, it remained an important part of the Group's diversified business model, providing steady income and supporting the Group's manufacturing capabilities.

In 2024, the Group continued to prioritize product development as a key driver of growth and innovation. This expansion of the product portfolio was driven by the Group's deep understanding of the lifestyles and consumption patterns of various consumer demographics and age groups through our market research, as well as its agility in design and development. Over 1,700 new SKUs were introduced during the Reporting Period to cater a wide range of consumer preferences, focusing on functionality, durability, and modern aesthetics. The Group's commitment to innovation was further supported by its robust manufacturing and supply chain capabilities, enabling the timely delivery of high-quality products to global markets.



# MANAGEMENT DISCUSSION AND ANALYSIS

## FUTURE OUTLOOK

In 2025, the global economic recovery remains clouded by significant uncertainties and risks. Rising trade protectionism, heightened geopolitical tensions and the ongoing US-China trade dispute are having a profound impact on the global supply chain. As a result, the year 2025 is expected to be another challenging year for the Group. However, history has consistently shown that challenges often lead to opportunities. In the midst of these headwinds, the global cookware and kitchenware industry shows remarkable growth potential, driven by ever-increasing consumer demand for high-quality and high-value kitchenware products.

In 2025, the Group remains committed to our long-term development strategy, leveraging our deep consumer insights, strong product development and design capabilities and continuous innovation, as well as our efficient operating model and extensive supply chain experience, to drive the growth of our brand business. Our key strategic focus areas are outlined below:

- 1 **Product development and diversification:** We will intensify our efforts in product development and iteration. By investing more resources in research and development, we aim to introduce a wider variety of products to meet different consumer needs, preferences and market segments.
- 2 **Sales channel expansion:** There will be a concerted push to expand our sales channels, with particular emphasis on a multi-channel approach with both online and offline channels. We plan to establish more partnerships with retailers to increase our product visibility and accessibility to consumers.
- 3 **Geographical expansion:** Expanding our geographical reach is another critical aspect. We will place particular emphasis on increasing the presence of “CAROTE” brand in Europe and other emerging markets. We aim to increase brand awareness and market share in these regions.
- 4 **Raising the brand profile:** We will work to enhance our global brand profile. By focusing on quality, innovation and customer service, we aim to enhance the perceived value of our products and thereby command a higher product premium.
- 5 **Organisational and talent optimisation:** To support our global expansion, we will refine our organisational structure, supply chain and talent systems. Streamlining the organisational structure will improve decision-making efficiency, while optimising the supply chain will ensure seamless product flow. In addition, attracting and retaining top talent will be critical to driving innovation and achieving sustainable growth in the global marketplace.

We are confident that through the implementation of these strategies, the Group will be well-positioned to navigate the challenges of 2025 and seize the emerging opportunities, thus achieving sustainable growth and creating greater value for all stakeholders.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

During the Reporting Period, our total revenue was approximately RMB2,073.3 million (same period in 2023: approximately RMB1,583.1 million), representing a year-on-year increase of approximately 31.0%, which was primarily driven by the increase in the sales in our branded business segment. The following table sets forth a breakdown of our revenue by business segments, in absolute amounts and as a percentage of total revenue, for the periods indicated:

	For the Year Ended December 31,		
	2024 (RMB)	2023 (RMB)	Change (%)
	(in millions, except percentages)		
Branded business	1,860.6	1,379.9	34.8
ODM business	212.7	203.2	4.7
Total	2,073.3	1,583.1	31.0

Our revenue from branded business increased from approximately RMB1,379.9 million for the year ended December 31, 2023 to approximately RMB1,860.6 million for the year ended December 31, 2024, representing a year-on-year increase of approximately 34.8%. The increase in revenue from our branded business is mainly due to our strategic focus on developing our branded business segment through expanding our sales channels and broadening our product offering. Our revenue from branded business accounted for approximately 87.2% and 89.7% of our total revenue for the Corresponding Period of the Previous Year and the Reporting Period, respectively.

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

	For the Year Ended December 31,		
	2024 (RMB)	2023 (RMB)	Change (%)
	(in millions, except percentages)		
Mainland China	299.5	322.7	-7.2
United States	1,251.1	740.1	69.0
Western Europe	104.9	96.8	8.4
Japan	93.7	82.8	13.2
Southeast Asia	53.5	76.5	-30.1
Others	57.9	61.0	-5.1
Total	1,860.6	1,379.9	34.8

# MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, our branded business experienced revenue growth in all our geographic markets (except for Southeast Asia, Mainland China and others) in line with our business expansion. Our revenue from branded business from the United States amounted to approximately RMB740.1 million and approximately RMB1,251.1 million for the year ended December 31, 2023 and 2024, respectively, accounting for approximately 53.6% and 67.2% of our total revenue from branded business for the same period, respectively. Our revenue from branded business from the United States recorded for the Reporting Period represents a year-on-year increase of approximately 69.0% as compared to the Corresponding Period of the Previous Year. The significant increase in our revenue from the United States was primarily due to: (i) a notable rise in our sales in online marketplaces, which was mainly attributable to (a) the increase in the sales of our signature cookware sets and (b) the expansion of our presence in new online channels beyond Amazon; (ii) the diversification of our product offerings; and (iii) the addition of our sales in offline marketplaces.

## Cost of Sales

Our cost of sales primarily consists of (i) cost of inventories sold, primarily representing the cost we incurred in procuring finished goods from our contract manufacturers, (ii) freight and storage expenses, representing freight expenses incurred in the shipment of our products to customers, which mainly comprised courier fees and payments to third-party e-commerce platforms for their delivery services, and fees we paid to e-commerce platforms for their storage services; (iii) employee benefit expenses (including salaries, bonuses, social security costs, and other employee welfares) relating to warehouse personnel; and (iv) others, representing primarily product testing fees and certification fees. Our cost of sales increased from approximately RMB1,018.0 million for the year ended December 31, 2023 to approximately RMB1,237.9 million for the same period in 2024, representing a year-on-year increase of 21.6%, which was in line with the rapid growth of our branded business.

The following table sets forth a breakdown of our cost of sales by business segments for the periods indicated:

	For the Year Ended December 31,		
	2024 (RMB)	2023 (RMB)	Change (%)
	(in millions, except percentages)		
Branded business	1,050.6	838.8	25.3
ODM business	187.3	179.2	4.5
Total	1,237.9	1,018.0	21.6



# MANAGEMENT DISCUSSION AND ANALYSIS

## Gross Profit and Gross Profit Margin

Our gross profit increased by approximately 47.8% from approximately RMB565.1 million for the year ended December 31, 2023 to approximately RMB835.4 million for the same period in 2024, in line with the increase in our overall revenue.

Our gross profit from branded business amounted to approximately RMB541.1 million and approximately RMB810.0 million for the year ended December 31, 2023 and 2024, respectively, representing an increase of approximately 49.7% year-over-year.

Our gross profit from ODM business amounted to approximately RMB24.0 million and approximately RMB25.4 million for the year ended December 31, 2023 and 2024, respectively, representing an increase of approximately 5.8% year-over-year.

Our gross profit margin increased from approximately 35.7% for the year ended December 31, 2023 to approximately 40.3% for the year ended December 31, 2024, in line with the increase in our overall revenue.

Our gross profit margin from branded business was approximately 39.2% and approximately 43.5% for the year ended December 31, 2023 and 2024, respectively. Such increase was primarily due to the decrease in procurement costs as a result of the further expansion of procurement volume for our branded business during the Reporting Period.

Our gross profit margin from ODM business was approximately 11.8% and approximately 11.9% for the year ended December 31, 2023 and 2024, respectively. Our gross profit margin from ODM business remained relatively stable. Such change was within a reasonable range in our normal operation.

## Expenses

### Selling Expenses

Our selling expenses increased by approximately 53.0% from approximately RMB245.4 million for the year ended December 31, 2023 to approximately RMB375.5 million for the same period in 2024, primarily due to, among other things: (i) an increase of approximately RMB102.2 million in commissions to e-commerce platforms, mainly attributable to our online sales growth, particularly in the United States online market places; (ii) an increase of approximately RMB16.6 million in marketing and advertising expenses, mainly attributable to our increased online marketing and promotional activities to enhance our brand awareness and expand our customer base, particularly in the United States; and (iii) an increase in salaries and benefits for sales personnel as well as other operational expenses.

### Administrative Expenses

Our administrative expenses increased significantly from approximately RMB31.6 million for the year ended December 31, 2023 to approximately RMB62.4 million for the same period in 2024, mainly due to (i) our incurrence of listing expenses of approximately RMB27.0 million (same period in 2023: approximately RMB6.0 million) in relation to our preparations for the Listing, and (ii) an increase in employee benefit recognised under administrative expense.

### Research and Development Expenses

Our research and development expenses increased by approximately 15.3% from approximately RMB35.9 million for the year ended December 31, 2023 to approximately RMB41.4 million for the same period in 2024, primarily due to an increase in our ongoing research and development projects as we continued to expand our product offering.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Other Income

Our other income increased significantly from approximately RMB3.2 million for the year ended December 31, 2023 to approximately RMB32.1 million for the same period in 2024, primarily due to our receipt of government grants in reward for our contribution to the local economy and achievement of certain performance targets.

## Other Gains

Our net other gains decreased by approximately 34.2% from approximately RMB15.5 million for the year ended December 31, 2023 to approximately RMB10.2 million for the year ended December 31, 2024, primarily due to the decrease in the net foreign exchange gains.

## Finance Income, Net

Our net finance income increased by approximately 166.2% from approximately RMB7.1 million for the year ended December 31, 2023 to approximately RMB18.9 million for the same period in 2024, primarily because a greater portion of our cash was deposited as fixed deposits in the second half of 2024, resulting in higher total interest income generated from these deposits.

## Income Tax Expenses

Our income tax expenses increased significantly from approximately RMB41.8 million for the year ended December 31, 2023 to approximately RMB61.3 million for the same period in 2024, primarily due to an increase in our taxable income in line with our revenue growth.

## Profit for the Year

As a result of the foregoing, our profit for the year increased by approximately 50.5% from approximately RMB236.5 million for the year ended December 31, 2023 to approximately RMB356.0 million for the same period in 2024, while our net profit margin increased from 14.9% for the year ended December 31, 2023 to approximately 17.2% for the same period in 2024.

## Reconciliation of Non-HKFRS Measures to the Nearest HKFRS Measures

To supplement our consolidated financial statements presented in accordance with HKFRSs, we use adjusted net profit (non-HKFRS measure) and adjusted net profit margin (non-HKFRS measure) as additional financial measures, which are not required by, or presented in accordance with HKFRSs.

We believe that these non-HKFRS measures provide useful information to investors in understanding and evaluating our consolidated results of operations in the same manner as they help our management by eliminating potential impacts of items which the management considers non-indicative of operating performance of the Group, such as certain non-cash items, one-off items or items which are not operating in nature.

# MANAGEMENT DISCUSSION AND ANALYSIS

However, presentation of these non-HKFRS measures may not be comparable to similarly titled measures presented by other companies. The use of these non-HKFRS measures has limitations as an analytical tool, and investors should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial conditions as reported under HKFRSs. In addition, these non-HKFRS financial measures may be defined differently from similar terms used by other companies, and may not be comparable to other similarly titled measures used by other companies.

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

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

	<b>For the Year Ended December 31,</b>	
	<b>2024</b>	2023
	<b>(RMB)</b>	(RMB)
	(in millions, except percentages)	
<b>Profit for the year</b>	<b>356.0</b>	236.5
Add back:		
Listing expenses	<b>27.0</b>	6.0
<b>Adjusted net profit (non-HKFRS measure)</b>	<b>383.0</b>	242.5
<b>Adjusted net profit margin (non-HKFRS measure)</b>	<b>18.5%</b>	15.3%

## Inventories

Inventories of the Group increased by approximately 43.0% from RMB108.3 million as at December 31, 2023 to RMB154.8 million as at December 31, 2024. Average inventory turnover days of the Group increased from 27.0 days in 2023 to 38.8 days in 2024, mainly because we stocked more finished goods in overseas markets to meet the demand of our rapidly growing branded business, as international shipping is generally lengthier in duration.

## Trade Receivables

Trade receivables of the Group increased by approximately 16.1% from RMB73.9 million as at December 31, 2023 to RMB85.8 million as at December 31, 2024. Average turnover days of trade receivables decreased from 14.9 days in 2023 to 14.1 days in 2024, mainly because we strengthened the collection and management of trade receivables in 2024.

## Trade and Bills Payables

Trade and bills payables of the Group slightly increased by approximately 10.7% from RMB358.6 million as at December 31, 2023 to RMB397.0 million as at December 31, 2024. Average turnover days of trade and bills payables remained stable at 111.4 days in 2024 (2023: 113.8 days), reflecting strong relationships with our suppliers.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Liquidity, Financial Resources and Capital Structure

For the year ended December 31, 2024, (i) our net cash generated from operating activities was approximately RMB350.2 million (same period in 2023: approximately RMB244.0 million), primarily due to the increase in our revenue generated from branded business and ODM business, partially offset by the payment of income taxes; (ii) our net cash used in investing activities was approximately RMB874.1 million (same period in 2023: our net cash generated from investing activities was approximately RMB48.1 million), primarily due to the increase in payment for time deposits; and (iii) our net cash generated from financing activities was approximately RMB648.1 million (same period in 2023: net cash used in financing activities was approximately RMB98.2 million), primarily due to the proceeds from the Global Offering and the Over-allotment Option (each as defined in the Prospectus) and payment of dividends to our Shareholders prior to the Listing.

The total bank borrowings of the Group decreased from approximately RMB5.0 million as at December 31, 2023 to nil as at December 31, 2024. The decrease was mainly attributable to repayment of the bank borrowings.

As at December 31, 2024, the Group had current assets of approximately RMB1,454.1 million (as at December 31, 2023: approximately RMB531.2 million) and current liabilities of approximately RMB466.1 million (as at December 31, 2023: approximately RMB411.1 million). The current ratio (which is calculated by dividing current assets by current liabilities) slightly increased to approximately 3.1 as at December 31, 2024 from approximately 1.3 as at December 31, 2023.

As at December 31, 2024, our cash and cash equivalents were primarily denominated in RMB and USD.

## Foreign Exchange Exposure

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD. Foreign exchange risk arose from future commercial transactions, recognised assets and liabilities which are denominated in non-RMB.

The management of the Group has set up a policy to require the Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to control the exposure of the foreign currency during the business operation. 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 USD, as most sales and certain purchase of the Group are denominated in USD. 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. During the Reporting Period, the Group did not use any derivative financial instruments to hedge certain exposure to foreign exchange. The management of the Group keeps monitoring foreign exchange exposure of the Group and will consider hedging significant foreign currency exposure should the need arise.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Interest Rate Risk

Other than bank balances and financial assets at fair value through profit or loss with variable interest rates, the Group has no other significant interest-bearing assets. The management of the Group does not anticipate significant impact on interest-bearing assets resulting from the changes in interest rates since the interest rates of bank balances are not expected to change significantly. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk. The Group has not hedged its cash flow interest rate risks.

## CHARGE OVER ASSETS OF THE GROUP

As at December 31, 2024, the Company pledged restricted deposits to issue bank acceptance notes of RMB210.8 million, representing an increase of 24.7% from RMB169.1 million as at December 31, 2023. Such restricted deposits included restricted cash and time deposits. As at December 31, 2023, the borrowings of RMB5.0 million were secured by the pledge of a building of the Group with carrying value of RMB3.9 million. The aforesaid borrowings of RMB5.0 million had been repaid as at December 31, 2024.

## GEARING POSITION

Our gearing ratio (calculated as total debts, comprising current and non-current borrowings and lease liabilities, divided by total equity as of the end of the period indicated, in percentage) was approximately 4.4% and 0.3% as at December 31, 2023 and 2024, respectively. Such decrease was mainly attributable to the increase in equity and repayment of bank loans and lease liabilities by the Group.

## CONTINGENCIES

As at December 31, 2024, the Directors were not aware of any significant events that would have resulted in material contingent liabilities.

## FINAL DIVIDEND

The Board has resolved to recommend a final dividend (the **"Final Dividend"**) of HK\$0.1408 per Share (equivalent to approximately RMB0.13 per Share) for the year ended December 31, 2024 (2023: RMB0.24 per share (equivalent to approximately HK\$0.26 per share)). The Final Dividend shall be subject to the approval of Shareholders and such dividend is expected to be paid in HK dollars on or before Friday, August 1, 2025 to Shareholders whose names appear on the register of members of the Company on Friday, July 11, 2025.

## ANNUAL GENERAL MEETING

The annual general meeting of the Company (the **"2025 AGM"**) will be held on Friday, May 30, 2025. Notice of the 2025 AGM will be published and issued to Shareholders in due course.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the eligibility of the Shareholders to attend and vote at the 2025 AGM, the register of members of the Company will be closed from Tuesday, May 27, 2025 to Friday, May 30, 2025 (both days inclusive), during which period no transfer of Shares will be registered. All properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Monday, May 26, 2025, for registration.

For the purposes of determining the entitlement of the Shareholders to the proposed Final Dividend, the register of members of the Company will be closed from Wednesday, July 9, 2025 to Friday, July 11, 2025 (both days inclusive), during which no transfer of Shares will be registered. All properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Tuesday, July 8, 2025, for registration.

## MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, revenue from the Group's five largest customers accounted for approximately 12.7% (2023: 11.8%) of the Group's total revenue and the revenue from the largest customer included therein accounted for approximately 6.6% (2023: 6.5%) of the Group's total revenue.

For the Reporting Period, supplies provided by the Group's five largest suppliers accounted for approximately 49.9% (2023: 45.1%) of the Group's total purchase and supplies provided by the largest supplier included therein accounted for approximately 22.1% (2023: 18.0%) of the Group's total purchase.

None of the Directors or any of their close associates or any Shareholders (which, to the knowledge of the Directors, own more than 5% of the Company's issued shares) had any interests in the Group's five largest customers and/or five largest suppliers for the Reporting Period.

## EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2024, the Group had a total of 188 employees (as at December 31, 2023: 185 employees).

The Group has formulated its emolument policy which sets out the basis for the remuneration of the employees and their remuneration structure comprising basic wage, allowances, benefits, and others, as appropriate based on the assessment of individual performance. The Company has made contributions to, among others, social insurance and housing provident fund on behalf of its employees in accordance with the relevant laws and regulations requirements of the PRC. The Company has adopted an employee incentive scheme (the "**Employee Incentive Scheme**") to incentivize the Key Employees (as defined in the Prospectus), details of which are more particularly set out in Appendix IV (Statutory and General Information) to the Prospectus. Such Employee Incentive Scheme is not a share award scheme or share option scheme referred to in Chapter 17 of the Listing Rules. The Company has not adopted any share award scheme or share option scheme for the purpose of Chapter 17 of the Listing Rules since the Listing.

# MANAGEMENT DISCUSSION AND ANALYSIS

## SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL

Save for the Group's reorganization as described in "History, Reorganization and Corporate Structure" in the Prospectus, during the Reporting Period, the Group had no significant investments or material acquisitions and disposals of its subsidiaries, associates and joint ventures.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As of December 31, 2024, save for the "Future Plans and Use of Proceeds" disclosed in the Prospectus and the "Use of Proceeds from the Global Offering" in this annual report, the Group did not have other plans for material investments and capital assets.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sales of treasury shares) from the Listing Date to December 31, 2024. As at December 31, 2024, the Company did not hold any treasury shares.

## EVENTS AFTER THE REPORTING PERIOD

On January 20, 2025, the address of the headquarters of the Company in China has been changed to 3rd–5th Floor, Unit 1, Tower 6, Sunshine City, Xiaoshan District, Hangzhou City, Zhejiang Province, China. For details, please refer to the Company's announcement dated January 20, 2025.

Save as disclosed in this report and as at the date of this report, the Company does not have any material subsequent events after the Reporting Period.

## USE OF PROCEEDS FROM THE GLOBAL OFFERING

On October 2, 2024, the Shares of the Company were listed on the Main Board of the Stock Exchange. The net proceeds from the Global Offering, after deducting the underwriting commissions and other estimated expenses paid and payable by us in connection with the Global Offering and the full exercise of Over-Allotment Option (as defined in the Prospectus), were approximately HK\$843.0 million. As of the date of this report, there was no change in the intended use of proceeds as previously disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

To the extent that the net proceeds of the Global Offering are not immediately required for the purposes as set out in the Prospectus or if we are unable to put into effect any part of our plan as intended, we will only hold such funds in short-term interest-bearing accounts at licensed commercial banks and/or other authorised financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions). In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

# MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the status of use of proceeds from the Global Offering as at December 31, 2024.

Purpose	% of use of proceeds	Net proceeds (HK\$)	Utilized amount as at December 31, 2024 (HK\$)	Unutilized amount as at December 31, 2024 (HK\$)	Expected timeline of full utilization of the unutilized proceeds
<i>(in millions, except percentages)</i>					
Pursuing acquisition and investment opportunities	35%	295.0	0	295.0	By the end of 2027
Product development	25%	210.7	3.1	207.6	By the end of 2027
Sales channel expansion	20%	168.6	0	168.6	By the end of 2027
ESG-related investments	10%	84.3	0	84.3	By the end of 2027
Working capital and other general corporate purposes	10%	84.4	1.8	82.6	By the end of 2026
Total	100%	843.0	4.9	838.1	

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## BOARD OF DIRECTORS

### Executive Directors

#### Mr. Zhang Guodong

**Mr. Zhang Guodong (章國棟)**, aged 37, is the chairman of our Board, executive Director and chief executive officer. Mr. Zhang has over 12 years of experience in the industry from working within our Group. Mr. Zhang joined our Group in July 2011 and successively served in various positions in Zhejiang Carote, our main operating subsidiary in China, including as sales manager from July 2011 to June 2014, production manager from July 2014 to June 2016, product manager for cookware from July 2016 to April 2019, and then as director and chief executive officer from April 2019 up to the present. He was appointed as our Director in February 2023 and was re-designated as an executive Director and chairman of the Board in March 2024, and was appointed as chief executive officer of our Company in March 2024. Mr. Zhang is responsible for formulating the overall corporate and business strategies and overseeing the daily operations of our Group.

Mr. Zhang received his bachelor's degree in marketing in March 2010 from Griffith University, Australia. Mr. Zhang is the husband of Ms. Lyu, one of our executive Directors.

Mr. Zhang is the sole shareholder and sole director of Guodong Capital Ltd ("**Guodong Capital**") which was deemed to be interested in 401,602,000 Shares, which represented approximately 72.36% of the total issued Shares as at December 31, 2024. He is also one of the directors of Yili Investment Holdings Ltd ("**Yili Investment**"). Please refer to the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company" in the Directors' Report for details of his interest in the Shares of the Company.

#### Ms. Lyu Yili

**Ms. Lyu Yili (呂伊俐)**, aged 37, is our executive Director and chief product officer. Ms. Lyu has over 10 years of experience in the industry from working within our Group. Ms. Lyu joined our Group in April 2011 and successively served in various positions in Zhejiang Carote, our main operating subsidiary in China, including as product manager overseeing the general design and production of products. Since 2021, Ms. Lyu has started focusing and overseeing the design and development of drinkware. She was appointed as a Director in February 2023 and re-designated as an executive Director in March 2024. She was also appointed as our chief product officer in March 2024. Ms. Lyu is responsible for overseeing the daily operations and product development of our Group.

Ms. Lyu received her bachelor's degree in accounting in July 2010 from Griffith University, Australia. Ms. Lyu is the wife of Mr. Zhang, one of our executive Directors.

Ms. Lyu is the sole shareholder and sole director of Yili Capital Ltd ("**Yili Capital**") which was deemed to be interested in 400,000,000 Shares, which represented approximately 72.07% of the total issued Shares as at December 31, 2024. She is also one of the directors of Yili Investment. Please refer to the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company" in the Directors' Report for details of her interest in the Shares of the Company.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## Mr. Xia Chenhao

**Mr. Xia Chenhao (夏宸顥)**, aged 30, is our executive Director and chief operating officer for China. Mr. Xia has over five years of experience in the industry from working within our Group. Mr. Xia joined Zhejiang Carote in October 2018 and has been our Tmall manager since then. He was appointed as our executive Director and chief operating officer for China in March 2024. Mr. Xia is responsible for overseeing the business development and operation of our Group in China.

Prior to joining our Group, from April 2018 to October 2018, Mr. Xia worked for Dianjing Network Holding Co., Ltd. (點晶網絡股份有限公司), a company principally engaged in providing integrated e-commerce services including brand retail, channel distribution and brand operations.

Mr. Xia received his bachelor's degree in e-commerce in June 2017 from Zhejiang Wanli University (浙江萬里學院), China. He is in the course of obtaining an executive master of business administration degree from the Tongji University – University of Texas Arlington EMBA program organized by Tongji University (同濟大學) and the University of Texas Arlington, having commenced his studies in October 2023.

## Independent non-executive Directors

### Ms. Yeung Shuet Fan Pamela

**Ms. Yeung Shuet Fan Pamela (楊雪芬)**, aged 51, is our independent non-executive Director. She is responsible for supervising and providing independent judgment to the Board.

Ms. Yeung is a capital markets and structured products specialist with over 15 years of experience in investment banking. Ms. Yeung began her career in capital markets investment banking and had since served in multiple relevant positions in a number of leading international investment banks prior to joining the Arta TechFin group in 2021 as the head of corporate finance. From June 2017 to May 2021, Ms. Yeung served as a managing director of Barclays Capital Asia Limited. From 2014 to 2015, Ms. Yeung served as a managing director and global head of Equity Linked Solutions of Standard Chartered Bank (Hong Kong) Limited. From June 2007 to April 2014, Ms. Yeung was a director of Asia Pacific Equity Capital Markets, Hong Kong Department at Citigroup Global Markets Asia Limited. Ms. Yeung currently also serves as a consultant at FTI Capital Advisors, advising on debt restructuring transactions.

Ms. Yeung also has solid experience in serving on the board of directors in a Hong Kong listed company. Ms. Yeung served as executive director of Arta TechFin Corporation Limited, a company listed on the Stock Exchange (stock code: 279) from November 2021 to September 2023 and its chief financial officer from November 2022 to September 2023.

Ms. Yeung received her bachelor's degree in business administration from the University of Southern California in the United States in December 1996.

### Dr. Chan Tin Wai David

**Dr. Chan Tin Wai David (陳天衛)**, aged 60, is our independent non-executive Director. He is responsible for supervising and providing independent judgment to the Board.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Chan has over 30 years of experience in overseeing corporate finance, merger and acquisition activities, accounting, company secretarial, administration, human resource functions and legal matters. He possesses appropriate accounting and related financial management expertise pursuant to Rule 3.10(2) of the Listing Rules. He had worked in several multi-national and Hong Kong blue chip companies. Dr. Chan worked in CITIC Pacific Limited (now known as CITIC Limited, a company listed in the Stock Exchange (stock code: 267)) during the period from December 1994 to May 2000 and he was the deputy general manager of the financial control department prior to his departure. From July 2001 to October 2005, he served as the chief financial officer and company secretary of Frasers Property (China) Limited (now known as Gemdale Properties and Investment Corporation Limited), a company listed on the Stock Exchange (stock code: 535). From June 2006 to August 2019, Dr. Chan served as the executive director and chief financial officer of CITIC Telecom International Holdings Limited, a company listed on the Stock Exchange (stock code: 1883) principally engaged in internet-oriented telecommunications comprehensive services. Since March 2023 and until present, Dr. Chan has been the chief financial officer of Human Health Holdings Limited, a company listed on the Stock Exchange (stock code: 1419), where he is responsible for overseeing financial, compliance, risk and human resources management matters.

Dr. Chan obtained his Bachelor of Laws and Master of Laws from the University of London in the United Kingdom in August 1999 and November 2001, respectively. He also obtained a Master of Accounting from Curtin University in Australia in July 1997 and a Doctor of Business Administration from the University of Newcastle in Australia in May 2007. He was admitted as a fellow member of the Institute of Chartered Accountants in England and Wales in August 2019, a fellow member of the Association of Chartered Certified Accountants in November 1995, a fellow member of the Hong Kong Institute of Certified Public Accountants in March 1999, a fellow member of the Chartered Governance Institute (CGI) (formerly known as the Institute of Chartered Secretaries and Administrators) in August 2004, a fellow member of the Hong Kong Chartered Governance Institute (HKCGI) (formerly known as The Hong Kong Institute of Chartered Secretaries) in August 2004 and a fellow member of the Taxation Institute of Hong Kong in July 1999.

### Mr. Shi Zhoufeng

**Mr. Shi Zhoufeng (施周峰)**, aged 42, is our independent non-executive Director. He is responsible for supervising and providing independent judgment to the Board.

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



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

### Senior Management

#### Ms. Meng Haifang

**Ms. Meng Haifang (孟海方)**, aged 37, is the financial director of our Group. Ms. Meng first joined our Group as financial manager of Zhejiang Carote in July 2020, and has served in this position up to present. She was appointed as our Group's financial director in March 2024.

Prior to joining our Group, Ms. Meng worked in Shaoxing Keqiao Yamei Biochemical Co., Ltd.\* (紹興柯橋亞美生物化工有限公司), a company principally engaged in the manufacturing industry, from July 2011 to March 2013. From July 2013 to August 2016, Ms. Meng worked in Zhejiang Yuewang Jewelry Co. Ltd (浙江越王珠寶有限公司), a company principally engaged in the business of jewelry retail. From November 2018 to February 2020, Ms. Meng worked in Shenzhen Jinyi Cultural Development Co., Ltd (深圳金一文化發展有限公司), a company principally engaged in the business of supply chain services for jewelry and gold products.

Ms. Meng received her bachelor's degree in accountancy from the Nanjing University of Finance and Economics, China, in June 2011. She received her certification as an intermediate accountant from the Ministry of Human Resources and Social Security and the Ministry of Finance of the People's Republic of China in September 2018.

#### Ms. Xue Yun'er

**Ms. Xue Yun'er (薛芸兒)**, aged 32, is the chief operating officer for North America of our Group. She has over six years of experience in the e-commerce industry. Ms. Xue joined our Group in March 2019 as a manager for our Group's operations in Malaysia, until May 2020. From May 2020 to December 2020, she was the manager of our Group's Southeast Asia operations, from January 2021 to December 2021, she was the manager of our Group's operations in all of the Asia Pacific (other than China) and from December 2021 to December 2022, she was the manager for our Group's North America operations. Her responsibilities for these positions included promotion of the Group's online business in the relevant countries or jurisdictions, as well as the operation of e-commerce platforms and overseeing product launches. In January 2023, she became the chief operating officer for our Group's operations in North America and remained in this position up to the present.

Prior to joining our Group, from September 2017 to June 2018, Ms. Xue worked in the brand operations department of Hangzhou Dilxi Fashion Technology Co., Ltd.\* (杭州迪爾西時尚科技有限公司), a company which is principally engaged in the business of fashion e-commerce.

Ms. Xue obtained her bachelor's degree in English from China Jiliang University's College of Modern Science and Technology, China, in June 2015. She completed her advanced training course in business administration at Zhejiang University in March 2023.

# DIRECTORS' REPORT

The Directors hereby present this Directors' Report and the audited consolidated financial statements of the Group for the Reporting Period.

## DIRECTORS

The Directors during the Reporting Period and up to the date of this Directors' Report are as follows:

### Executive Directors

Mr. Zhang Guodong  
Ms. Lyu Yili  
Mr. Xia Chenhao

### Independent non-executive Directors

Dr. Chan Tin Wai David  
Ms. Yeung Shuet Fan Pamela  
Mr. Shi Zhoufeng

The Company has received, from each of the independent non-executive directors, a confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive directors are independent.

## PRINCIPAL ACTIVITIES

Please refer to Note 1 of the notes to the consolidated financial statements in this annual report for details regarding the principal activities of the Group.

## RESULTS AND DIVIDENDS

The Group's results for the Reporting Period and the state of affairs of the Company and the Group as at December 31, 2024 are set out in the accompanying consolidated financial statements.

The Board resolved to recommend a final dividend (the "**Final Dividend**") of HK\$0.1408 per Share (equivalent to approximately RMB0.13 per Share) for the year ended December 31, 2024 (2023: RMB0.24 per share (equivalent to approximately HK\$0.26 per share)). The Final Dividend shall be subject to the approval of the Shareholders at the 2025 AGM and such dividend is expected to be paid in HK dollars on or before Friday, 1 August 2025 to the Shareholders whose names appear on the register of members of the Company on Friday, 11 July 2025. The 2025 AGM will be held on Friday, May 30, 2025.

As at the date of this report, there was no arrangement under which a Shareholder had waived or agreed to waive any dividends.

# DIRECTORS' REPORT

## CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the eligibility of the Company's shareholders to attend and vote at the 2025 AGM, the register of members of the Company will be closed from Tuesday, May 27, 2025 to Friday, May 30, 2025 (both days inclusive), during which period no transfer of Shares will be registered. All properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Monday, May 26, 2025, for registration.

For the purposes of determining the entitlement of the Company's shareholders to the proposed Final Dividend, the register of members of the Company will be closed from Wednesday, July 9, 2025 to Friday, July 11, 2025 (both days inclusive), during which no transfer of Shares will be registered. All properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Tuesday, July 8, 2025, for registration.

## PROPERTY, PLANT AND DEVELOPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out Note 15 to the consolidated financial statements.

## SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in Note 22 of the notes to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company (the "**Articles**") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

## TAX RELIEF

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities. Shareholders are advised to consult an expert on the tax implications of purchasing, holding, disposing of, dealing in or exercising of any rights in relation to the Company's securities.

## REDEMPTION, PURCHASE OR CANCELLATION OF THE COMPANY'S REDEEMABLE SECURITIES

The Company has not issued any redeemable securities. Neither the Company nor any of its subsidiaries has redeemed, purchased or cancelled any of the Company's redeemable securities from the Listing Date to December 31, 2024.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sales of treasury shares) from the Listing Date to December 31, 2024. As at December 31, 2024, the Company did not hold any treasury shares.

## **RESERVES AND DISTRIBUTABLE RESERVES**

Details of movements in the reserves of the Company and of the Group during the Reporting Period are set out the consolidated statement of changes in equity on and Note 23 of the notes to the consolidated financial statements.

As at December 31, 2024, the Company's reserves available for distribution to equity holders, comprising the share premium and accumulated losses, amounted to approximately RMB221 million (2023: approximately RMB244 million).

## **MAJOR CUSTOMERS AND SUPPLIERS**

For the Reporting Period, revenue from the Group's five largest customers accounted for approximately 12.7% (2023: 11.8%) of the Group's total revenue and the revenue from the largest customer included therein accounted for approximately 6.6% (2023: 6.5%) of the Group's total revenue.

For the Reporting Period, supplies provided by the Group's five largest suppliers accounted for approximately 49.9% (2023: 45.1%) of the Group's total purchase and supplies provided by the largest supplier included therein accounted for approximately 22.1% (2023: 18.0%) of the Group's total purchase.

None of the Directors or any of their close associates or any shareholders of the Company (which, to the knowledge of the Directors, own more than 5% of the Company's issued Shares) had any interests in the Group's five largest customers and/or five largest suppliers for the Reporting Period.

## **EQUITY-LINKED AGREEMENT**

The Company did not enter into any equity-linked agreement during the Reporting Period.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

At no time during the Reporting Period there were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

# DIRECTORS' REPORT

## EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2024, the Group had a total of 188 full-time employees (2023: 185 employees). The following table sets forth a breakdown of our employees by function as at December 31, 2024.

Function	Number of Employees
Operation	73
Product design and development	12
Supply chain management	67
General and administrative	36
<b>Total</b>	<b>188</b>

The Remuneration Committee recommends the level of remuneration for Directors, subject to approval by the Board. The primary goal of the remuneration policy with regard to the remuneration packages of the Group's executive Directors is to enable the Group to retain and motivate executive Directors by linking their compensation with performance as measured against corporate objectives achieved. In order to determine the level of remuneration paid to the members of the Board, market rates and factors such as each Director's workload, performance, responsibility, job complexity and the Group's performance are taken into account.

Details of emoluments paid to each Director and the five highest paid employees in the Reporting Period are set out in Notes 34 and 9 of the notes to the consolidated financial statements, respectively.

For the year ended December 31, 2024, our employee benefit expenses amounted to approximately RMB35.5 million as compared to approximately RMB27.3 million for the same period in 2023.

The Group has formulated its emolument policy which sets out the basis for the remuneration of the employees and their remuneration structure comprising basic wage, allowances, benefits, and others, based on the assessment of individual performance. The Company has made contributions to, among others, social insurance and housing provident fund on behalf of its employees in accordance with the relevant laws and regulations requirements of the PRC. The Company has adopted an employee incentive scheme (the "**Employee Incentive Scheme**") to incentivize the Key Employees (as defined in the Prospectus), details of which are more particularly set out in Appendix IV (Statutory and General Information) to the Prospectus. Such Employee Incentive Scheme is not a share award scheme or share option scheme referred to in Chapter 17 of the Listing Rules. The Company has not adopted any share award scheme or share option scheme for the purpose of Chapter 17 of the Listing Rules since the Listing.

As part of our retention strategy, we offer employees competitive remuneration packages. Our management recognizes the importance of realizing personal values for our employees and promotes a transparent appraisal system for all our employees seeking career advancement across different business departments. To incentivize our employees, we provide year-end bonuses and have a system in place to reward outstanding employees for their exceptional annual performance. Furthermore, we express our appreciation for their dedication by celebrating significant milestones such as their work anniversaries with thoughtful gifts, as well as providing holiday benefits during festivals.

Recognizing the importance of continuous learning and professional development, we have established a training program to enhance the professional skills of our employees. This includes specialized training in areas such as procurement, planning, quality inspection, and operational skills. To support the growth and development of our employees, we allocate specific funds for them to participate in external training programs. In addition, we provide training on professional ethics, onboarding, and corporate culture, facilitated by our human resources department.

In respect of the remuneration paid or payable to the members of senior management (except Directors) of the Company for the year ended December 31, 2024, the remuneration paid or payable to members of the senior management of the Company by band is set out below:

	Number of individuals
Nil to HKD1,000,000	1
HKD1,000,001 to HKD1,500,000	2
<b>Total</b>	<b>3</b>

During the year ended December 31, 2024, none of the Directors and the five highest paid individuals of the Group (i) received or will receive any emolument from the Group as an inducement to join or upon joining the Group; (ii) received or will receive any compensation for loss of office as a director or management of any member of the Group; or (iii) waived or has agreed to waive any emoluments.

## APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors is engaged on a Director's service contract with the Company. The letters of appointment of independent non-executive Directors also set out the specific terms and conditions relative to their respective appointment. All remuneration paid to executive Directors are covered by respective service contracts and all remuneration paid to independent non-executive Directors are covered by respective letters of appointment. Details of the terms of appointment of the Directors are disclosed in the section headed "Directors' Service Contracts and Letters of Appointment" of this Directors' Report.

Pursuant to Article 15.5 of the Articles, any Director appointed by the Board to fill a causal vacancy or as an additional to the existing Board shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election. Also, pursuant to Article 15.1 of the Articles, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement by rotation at least once every three years.

Every newly appointed Director has been provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statutes, laws, rules and regulations.

In accordance with Article 15.1 of the Articles, Ms. Lyu and Mr. Xia Chenhao will retire by rotation at the forthcoming 2025 AGM, and being eligible, offer themselves for re-election.

# DIRECTORS' REPORT

## DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a Director's service contract for an initial term of three years commencing from their respective date of entering the contract and each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years commencing from their respective date of appointment. All of them are subject to retirement by rotation and re-election in accordance with the Articles.

No Director proposed for re-election at the 2025 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' REMUNERATION

Directors shall be entitled to receive such sums as shall from time to time be determined by the Company in general meetings or by the Board. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

Particulars of the Directors' emoluments for the year ended December 31, 2024 are set out in Note 34 of the notes to the consolidated financial statements.

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Save as disclosed in the Prospectus and up to the date of this annual report, none of the Directors have any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, or has any other conflict of interest with the Group which would require disclosure under Rule 8.10 of the Listing Rules.

The Company has received from each of the Directors an annual confirmation of his/her undertaking as to non-competition with the business of the Group.

## PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, the Directors and other officers for the time being of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group to protect the Directors and officers of the Group against any potential liability arising from the Group's activities which such Directors and officers may be held liable.

## FINANCIAL REPORTING AND AUDIT

The Directors acknowledged their responsibility for preparing the financial statements that give a true and fair view in accordance with applicable statutory requirements and accounting standards and the requirements of the Listing Rules. The Group adopted the going concern basis in preparing its consolidated financial statements.

A statement by the external auditor of the Company about their reporting responsibilities is set out in the section headed "Independent Auditor's Report" in this annual report.

## **DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACTS**

Apart from the particulars disclosed in Note 33 of the notes to the consolidated financial statements, there were no other transactions, arrangement or contracts of significance in relation to the Company's business, to which the holding company of the Company or any of the Company's subsidiaries or fellow subsidiaries was a party subsisting at the end of the year ended December 31, 2024 or at any time during the year ended December 31, 2024 in which a Director or an entity connected with the Director had, whether directly or indirectly, a material interest.

## **CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE**

Save as disclosed in the Prospectus, and in this annual report, for the year ended December 31, 2024, no contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholders (as defined in the Listing Rules) of the Company or any of its subsidiaries, and no contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholders (as defined in the Listing Rules) of the Company or any of its subsidiaries was entered into.

In addition, our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. Our independent non-executive Directors are of the view that, from the Listing Date and the end of the Reporting Period, there is no conflict of interests between our Group and our Controlling Shareholders (as defined in the Prospectus) that need to be disclosed to the Shareholders.

## **MANAGEMENT CONTRACTS**

For the year ended December 31, 2024, other than the service contracts of the Directors, there was no contract entered into by the Company relating to its management and administration or subsisting during the year under review which is substantial to the entire or any part of the business of the Group.

## **CONNECTED TRANSACTIONS**

As disclosed in the Prospectus, Zhejiang Carote has entered into a lease agreement with Zhejiang Leshengen, pursuant to which Zhejiang Carote as tenant has agreed to lease from Zhejiang Leshengen, a company controlled by Mr. Zhang and Ms. Lyu, as landlord certain premises as a warehouse for storage of our products for a fixed term from October 1, 2023 to September 30, 2026 (inclusive) at an annual rental of RMB2.1 million. This lease is recognized on our statement of financial position as right-of-use assets under HKFRS 16 (Leases). As such, such lease transaction constitutes a one-off connected transaction of our Company upon Listing. For further details of the lease, see "Connected Transactions – One-off Connected Transaction" in the Prospectus.

From the Listing Date to the December 31, 2024 and up to the date of this Directors' Report, the Group did not enter into any connected transactions or continuing connected transactions being disclosable in accordance with Rules 14A.49 and 14A.71 of the Listing Rules.



# DIRECTORS' REPORT

Details of the related party transactions of the Company for the year ended December 31, 2024 and undertaken in the usual course of business are set out in Note 33 of the notes to the consolidated financial statements. Save as disclosed above, no related party transactions constitutes a connected transaction or continuing connected transaction which are required to be disclosed in this annual report in compliance with the requirements under Chapter 14A of the Listing Rules. The Directors confirm that they have complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

## DISCLOSURE UNDER RULES 13.20, 13.21 and 13.22 OF THE LISTING RULES

The Directors were not aware of any circumstances resulting in the responsibility of disclosure under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

## INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at December 31, 2024, the Directors and the Company's chief executive, and their respective associates had the following interests in the Shares and underlying Shares and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have been taken under such provisions of the SFO) or pursuant to the Model Code, or were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO:

### (A) Interest in Shares or Underlying Shares of the Company

Name of Director	Nature of interest	Number of Shares	Approximate percentage of shareholding interest	Long position/ Short position
Mr. Zhang <sup>(1), (2)</sup>	Interest in a controlled corporation	401,602,000	72.36%	Long position
Ms. Lyu <sup>(1)</sup>	Interest in a controlled corporation	400,000,000	72.07%	Long position

Notes:

- (1) This includes 400,000,000 Shares held by Yili Investment. Yili Investment is held as to 55% by Yili Capital and 45% by Guodong Capital, whereas Yili Capital is in turn wholly-owned by Ms. Lyu and Guodong Capital is in turn wholly-owned by Mr. Zhang. Each of Mr. Zhang, Ms. Lyu, Guodong Capital and Yili Capital is deemed to be interested in the same number of Shares that are held by Yili Investment under the SFO.
- (2) This includes 1,602,000 Shares held by Carote CM Limited Partnership ("Carote CM"), whereby its general partner Guodong Capital is a company wholly-owned by Mr. Zhang. Each of Guodong Capital and Mr. Zhang is deemed to be interested in the same number of Shares that are held by Carote CM under the SFO.

## (B) Interest in Shares or Underlying Shares of the Associated Corporations of the Company

Name of Director	Name of associated corporation	Nature of interest	Number of shares	Approximate percentage of interests	Long position/ Short position
Mr. Zhang	Carote Philippines <sup>(1)</sup>	Beneficial owner	100,000	1%	Long position
Ms. Lyu	Carote Philippines <sup>(1)</sup>	Beneficial owner	100,000	1%	Long position

*Note:*

- (1) Carote Philippines, our non-wholly owned subsidiary, is owned as to 80% by Carote (Singapore) Management, 18% by Carote Global, 1% by Mr. Zhang and 1% by Ms. Lyu.

Save as disclosed above, so far as is known to the Directors, none of the Directors or the chief executives of the Company had or was deemed to have any interests or short positions in the Shares and underlying Shares or any of its associated corporations as at December 31, 2024.

## INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at December 31, 2024, the interests or short positions of the persons (other than a Director or chief executive of the Company whose interests are disclosed above) and corporations in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of shareholder	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding interest <sup>(1)</sup>	Long position/ Short position
Yili Investment <sup>(1)</sup>	Beneficial interest	400,000,000	72.07%	Long position
Yili Capital <sup>(1)</sup>	Interest in a controlled corporation	400,000,000	72.07%	Long position
Guodong Capital <sup>(1) (2)</sup>	Interest in a controlled corporation	401,602,000	72.36%	Long position

*Notes:*

- (1) This includes 400,000,000 Shares held by Yili Investment. Yili Investment is held as to 55% by Yili Capital and 45% by Guodong Capital, whereas Yili Capital is in turn wholly-owned by Ms. Lyu and Guodong Capital is in turn wholly-owned by Mr. Zhang. Each of Mr. Zhang, Ms. Lyu, Guodong Capital and Yili Capital is deemed to be interested in the same number of Shares that are held by Yili Investment under the SFO.
- (2) This includes 1,602,000 Shares held by Carote CM, whereby its general partner Guodong Capital is a company wholly-owned by Mr. Zhang. Each of Guodong Capital and Mr. Zhang is deemed to be interested in the same number of Shares that are held by Carote CM under the SFO.

Save as disclosed above, the Company is not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at December 31, 2024.

# DIRECTORS' REPORT

## AUDIT COMMITTEE, NOMINATION COMMITTEE AND REMUNERATION COMMITTEE

Details of the Audit Committee, Nomination Committee and Remuneration Committee of the Company are set out in the section headed "Corporate Governance Report" of this annual report.

## SUFFICIENCY OF PUBLIC FLOAT

Since the Listing Date and up to the date of this Directors' Report, the Company has maintained the prescribed public float under the Listing Rules based on the information that is publicly available to the Company and within the knowledge of the Directors.

## REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company comprises all the three independent non-executive Directors, namely Mr. Shi Zhoufeng, Ms. Yeung Shuet Fan Pamela and Dr. Chan Tin Wai David. They have reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2024.

## AUDITOR

For the year ended December 31, 2024, PricewaterhouseCoopers assumed the office of the Company's reporting accountant and independent auditor. The financial statements contained in this annual report have been audited by PricewaterhouseCoopers. There has been no change in the Company's auditor since the Listing Date and there has been no change in any of the past three year.

PricewaterhouseCoopers will retire and a resolution for their re-appointment as the auditor of the Company will be proposed at the 2025 AGM.

## BUSINESS REVIEW

### Business Performance and Future Outlook

For the business review and future outlook of the Group, please refer to the paragraphs headed "Business Review" and "Future Outlook" respectively in the section headed "Management Discussion and Analysis" in this annual report. This discussion forms part of this Directors' Report.

### Principal Risks and Uncertainties

For the principal risks and uncertainties facing the Group, please refer to the section headed "Management Discussion and Analysis" in this annual report for further details. This discussion forms part of this Directors' Report.

### Compliance with Relevant Laws and Regulations

As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company during the Reporting Period including the Listing Rules, the PRC Labour Law, etc.. Details of the relevant laws and regulations are set out in the "Environmental, Social and Governance Report" of this annual report.

## CORPORATE SOCIAL RESPONSIBILITY DONATIONS

During the year ended December 31, 2024, the Group made corporate social responsibility donations approximately RMB238.0 thousand (2023: approximately RMB241.9 thousand).

## KEY RELATIONSHIP WITH STAKEHOLDERS

The Company is committed to maintaining a good relationship with stakeholders that have a significant impact on the Company and on which the Company's success depends. For details, please refer to the section headed "Environmental, Social and Governance Report" in this annual report.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth. For details, please refer to the section headed "Environmental, Social and Governance Report" in this annual report.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 25 to 28 of this annual report.

## CHANGES IN DIRECTORS' INFORMATION

There are no material changes in directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Listing and up to the Latest Practicable Date.

## EVENTS AFTER THE REPORTING PERIOD

On January 20, 2025, the address of the headquarters of the Company in China has been changed to 3rd– 5th Floor, Unit 1, Tower 6, Sunshine City, Xiaoshan District, Hangzhou City, Zhejiang Province, China. For details, please refer to the Company's announcement dated January 20, 2025.

Save as disclosed above, as of the date of this Directors' Report, the Group does not have any material subsequent events after the Reporting Period.

On behalf of the Board

**ZHANG Guodong**

*Chairman, Executive Director and Chief Executive Officer*

Hangzhou, the PRC

March 26, 2025

# CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report of the Company for the period from the Listing Date to December 31, 2024.

## Corporate Governance Practices

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of the Shareholders and to enhance corporate value and accountability.

Since the Shares of the Company were listed on the Main Board of the Stock Exchange on October 2, 2024, the Company has adopted the principles and code provisions as set out in the Corporate Governance Code ("CG Code") as a basis of our corporate governance practices and complied with the applicable code provisions during the period from the Listing Date to December 31, 2024, save for deviations from code provisions C.2.1 and C.2.7 as disclosed in the later part of this report.

The Company is committed to enhancing its corporate governance practices appropriate to the conduct and the growth of its business and to reviewing such practices from time to time to ensure that it complies with statutory and professional standards and aligns with the latest business development and business strategies of the Group. The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices of the Company.

## A. Model Code for Securities Transactions

The Company has adopted the Code for Dealings in Securities by Management (管理層證券交易守則) with terms no less exacting than the Model Code as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Model Code.

The Code for Dealings in Securities by Management applies to all the Directors and all the employees to whom the Code for Dealings in Securities by Management is given and who are informed that they are subject to its provisions.

Specific enquiry has been made of all the Directors and they have confirmed that they have complied with the required standard set out in the Code for Dealings in Securities by Management during the period from the Listing Date to December 31, 2024.

## B. Board of Directors

The Board oversees the Company's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Group.

The Board should regularly review the contribution required from the Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

## 1. Board Composition

As at December 31, 2024, the Board comprised six Directors, consisting of three executive Directors and three independent non-executive Directors, as follows:

### Executive Directors

Mr. ZHANG Guodong (章國棟) (*Chairman and Chief Executive Officer*)

Ms. LYU Yili (呂伊俐)

Mr. XIA Chenhao (夏宸顥)

### Independent Non-executive Directors

Ms. YEUNG Shuet Fan Pamela (楊雪芬)

Dr. CHAN Tin Wai David (陳天衛)

Mr. SHI Zhoufeng (施周峰)

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The biographical information of the Directors is set out in the section headed “Biographical Details of Directors and Senior Management” in this annual report.

The Board has met the requirements of Rule 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive directors representing at least one-third of the Board.

Each of the Directors confirms that he/she (i) obtained the legal advice referred to in Rule 3.09D of the Listing Rules February 28, 2024 or June 24, 2024 (as applicable), and (ii) understands his/her obligations as a director of a listed issuer under the Listing Rules.

Save for the spousal relationship of Mr. Zhang and Ms. Lyu, there are no financial, business, family, or other material or relevant relationships among members of the Board.

## 2. Chairman and Chief Executive Officer

The positions of chairman of the Board and chief executive officer is held by Mr. Zhang. The chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The chief executive officer focuses on the Company's business development and the daily management and operations generally. Their respective responsibilities are clearly defined and set out in writing.

# CORPORATE GOVERNANCE REPORT

Code Provision C.2.1 of Part 2 of the CG Code recommends, but does not require, that the roles of chairman and chief executive should be separate and that such roles should not be performed by the same person. The Company deviates from this provision because Mr. Zhang performs both the roles of the chairman of the Board and the chief executive officer of our Company. As Mr. Zhang has served the Group since July 2011 and has provided strategic guidance and leadership since 2019 and to date, the Board believes that vesting the roles of both chairman and chief executive officer to Mr. Zhang has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning. This structure will enable the Company to make and implement decisions promptly and effectively. The Board considers that the balance of power and authority will not be impaired due to this arrangement. In addition, all major decisions are made in consultation with members of the Board, including the relevant Board committees, and three independent non-executive Directors. The Board will reassess the division of the roles of chairman and the chief executive officer from time to time, and may recommend dividing the two roles between different people in the future, taking into account the circumstances of the Group as a whole.

### 3. Independent Non-Executive Directors

During the period from the Listing Date to the date of this annual report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

### 4. Appointment and Re-Election of Directors

Our executive Director has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date, and are subject to termination in accordance with their respective terms and conditions of the services contract.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of three years commencing from the Listing Date and are subject to termination in accordance with their respective terms and conditions of the appointment letters.

Code provision B.2.2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years, whereas Article 15.5 of the Articles states that any Director appointed by the Board shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election.

Accordingly, Ms. Lyu and Mr. Xia, shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

## 5. Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors take decisions objectively in the interests of the Group.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Board authorises the management to implement the strategies as approved by the Board. The management is responsible for the day-to-day operations of the Group and reports to the Board. For this purpose, the Board has formulated clear written guidelines which stipulate the circumstances where the management should report to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board will conduct regular review on these authorisation and guidelines from time to time.

## 6. Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.



# CORPORATE GOVERNANCE REPORT

The records of training and continuous professional development that have been received from the Directors for the year ended December 31, 2024 are summarised as follows:

Directors	Type of Training <sup>(Note)</sup>
Mr. Zhang Guodong	A & B
Ms. Lyu Yili	A & B
Mr. Xia Chenhao	A & B
Ms. Yeung Shuet Fan Pamela	A & B
Dr. Chan Tin Wai David	A & B
Mr. Shi Zhoufeng	A & B

Note:

- (1) A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops
- (2) B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

## C. Board Independence Evaluation

The Company has established a board independence evaluation mechanism which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

A summary of the board independence evaluation mechanism is set out as follows:

- The Nomination Committee will assess the independence of all independent non-executive Directors on an annual basis and confirm that each independent non-executive Directors continues to meet the independence standards set out in the Listing Rules and that there are no relationships or circumstances that may affect their independent judgment;
- An annual review of Board independence will be conducted to ensure that it remains objectively independent;
- Directors may seek independent professional advice in the performance of their duties, at the Company's expense; and
- Directors are encouraged to have independent access to and consult with senior management of the Company (if required).

During the year ended December 31, 2024, all the independent non-executive Directors has completed the independence evaluation in the form of a questionnaire individually and the results were presented to the Board and the evaluation results were satisfactory.

During the year ended December 31, 2024, the Board reviewed the implementation and effectiveness of the board independence evaluation mechanism and the results were satisfactory.

## D. Board Committees

The Board has established three committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Audit Committee, the Nomination Committee and the Remuneration Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

As at December 31, 2024, all the members of the Audit Committee, and the majority of the members of the Nomination Committee and the Remuneration Committee, are independent non-executive Directors. The list of the chairman and members of each Board committee is set out under the section headed "Corporate Information" in this annual report.

### 1. Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely Mr. Shi Zhou Feng, Ms. Yeung Shuet Fan Pamela and Dr. Chan Tin Wai David. Mr. Shi Zhou Feng, being the chairman of the Audit Committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial information and oversee the financial reporting, risk management and internal control systems of the Company.

As the Company was listed on October 2, 2024, no Audit Committee meeting was held during the Reporting Period.

Subsequent to December 31, 2024 and up to the Latest Practicable Date, the Audit Committee held one (1) meeting to discuss and review the following matters:

- reviewed with the financial personnel and the external auditor the effectiveness of audit process and the accounting principles and practices adopted by the Group, and the accuracy and fairness of the annual consolidated financial statements for the financial year ended December 31, 2024;
- reviewed with the senior management and finance personnel the effectiveness of the risk management, internal control systems, internal audit function and risk management updates of the Group during the period from the Listing Date to December 31, 2024;

# CORPORATE GOVERNANCE REPORT

- recommended to the Board on the re-appointment of external auditor at the annual general meeting held on May 30, 2025; and
- approved the audit plan for the Reporting Period, reviewed the independence of the external auditor and approved its engagement.

The Audit Committee also met the external auditor without the presence of the executive Directors and the management of the Company.

## 2. Nomination Committee

The Nomination Committee comprises two independent non-executive Directors, namely Ms. Yeung Shuet Fan Pamela and Mr. Shi Zhoufeng and an executive Director, namely Ms. Lyu Yili. Ms. Yeung Shuet Fan Pamela is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The primary duties of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experiences) of the Board at least annually and making recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals suitably qualified as potential Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of the independent non-executive Directors; and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning of Directors, in particular that of the chairman and the chief executive officer.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree annually on measurable objectives for achieving diversity on the Board, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

As the Company was listed on October 2, 2024, no Nomination Committee meeting was held during the Reporting Period.

Subsequent to December 31, 2024 and up to the date of the Latest Practicable Date, the Nomination Committee held one (1) meeting and a summary of work performed by the Nomination Committee during the Reporting Period is set out as follows:

- reviewed the structure, size, composition and diversity of the Board;

# CORPORATE GOVERNANCE REPORT

- monitored the independence of the independent non-executive Directors for the purpose of the Listing Rules; and
- monitored and reviewed the Group's diversity and inclusion development.

The Nomination Committee considered an appropriate balance of diversity perspectives of the Board in terms of gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service is maintained and did not recommend any changes to the measurable objectives set for implementing diversity on the Board. A summary of the Board Diversity Policy and the Director Nomination Policy are set out below.

## **Board Diversity Policy**

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance and adopted a Board Diversity Policy aiming to set out the approach to achieve diversity on the Board on September 13, 2024. The implementation of the policy is monitored by the Nomination Committee. The Company aims to build and maintain a Board with a diversity of Directors, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender.

Pursuant to the Board Diversity Policy, the Nomination Committee will discuss and agree annually measurable objectives for implementing diversity on the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and recommend them to the Board for adoption. The Nomination Committee of the Board will also ensure that recruitment and selection procedures of director candidates are appropriately structured so that a diverse range of candidates are considered by the Company. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company will review annually on its diversity, including the gender proportion of the Board, senior management and staff, and monitor the progress on achieving these diversity objectives. The Company aims to build and maintain a Board with a diversity of Directors, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender.

For the purpose of implementation of the Board Diversity Policy, the measurable objectives adopted include (a) at least one-third of the members of the Board shall be independent non-executive directors; (b) at least one of the members of the Board shall have obtained accounting or other professional qualifications; and (c) at least one of the members of the Board shall be female. The current Board's composition under diversified perspectives is disclosed in the biographical information of the Directors set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

# CORPORATE GOVERNANCE REPORT

An analysis of the Board's current composition based on the measurable objectives is set out below:

Gender	Age Group
Male: 4 Directors	21–30: 1 Director
Female: 2 Directors	31–40: 2 Directors
	41–50: 1 Director
	51–60: 2 Directors
Designation	Educational Background <sup>(1)</sup>
Executive Directors: 3 Directors	Business Administration: 3 Directors
Independent Non-Executive Directors: 3 Directors	Account and Finance: 3 Directors
	Marketing: 1 Director
	Law: 1 Director
Nationality	Business Experience
Chinese: 6 Directors	All of the Directors have industry experiences and knowledge related to the Group's business

Note:

(1) Dr. Chan Tin Wai David holds multiple degrees.

The Board comprises two female Directors and four male Directors with a balanced mix of knowledge and skills in areas such as business administration, law, financial management, auditing and corporate secretarial matters. The Nomination Committee and the Board are of the view that the current composition of the Board has achieved the objectives set in the Board Diversity Policy.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

## Gender Diversity

The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this annual report:

	Female	Male
Directors	33.3% (2)	66.7% (4)
Senior Management	100% (2)	0% (0)
Other employees	68.3% (125)	31.7% (58)
All Directors and employees	67.5% (129)	32.5% (62)

## Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- any measurable objective adopted to achieve diversity of the Board;
- requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings as follows:

- When it is necessary to fill a casual vacancy or appoint an additional Director:
  - (i) the Nomination Committee identifies or selects candidates pursuant to the criteria set out above;
  - (ii) the Nomination Committee makes recommendation to the Board; and
  - (iii) the Board deliberates and decides on the appointment based upon the recommendation of the Nomination Committee.
- When it is necessary to re-appoint an existing Director on a general meeting:
  - (i) The Nomination Committee reviews overall contribution and service of the retiring Director to the Company and determines whether the retiring Director continues to meet the criteria as set out above;
  - (ii) The Nomination Committee makes recommendation to the Shareholder on the reappointment; and

# CORPORATE GOVERNANCE REPORT

- (iii) Shareholders deliberate and decide on the re-appointment based upon the recommendation of the Nomination Committee.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

## 3. Remuneration Committee

The Remuneration Committee comprises two independent non-executive Directors, namely Dr. Chan Tin Wai David and Ms. Yeung Shuet Fan Pamela and an executive Director, namely Mr. Zhang Guodong. Dr. Chan Tin Wai David is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include making recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management; making recommendations to the Board on the remuneration packages of individual executive Directors and senior management; reviewing performance-based remuneration and ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration.

As the Company was listed on October 2, 2024, no Remuneration Committee meeting was held during the Reporting Period.

Subsequent to December 31, 2024 and up to the Latest Practicable Date, the Remuneration Committee held one (1) meeting on March 26, 2025 and a summary of the work performed by the Remuneration Committee during the Reporting Period is set out as follows:

- reviewed the Directors' fee and made recommendation to the Board;
- reviewed the current remuneration structure and package of the Directors and recommended the Board approve their specific packages;
- recommended to the Board the changes to the remuneration packages for certain Directors; and
- recommended to the Board the remuneration package for the Director and Chairman appointed during the Reporting Period.

## 4. Corporate Governance Functions

The Board is responsible for performing the functions set out in code provision A.2.1 of the CG Code.

The terms of reference of the Board include, among others, (i) developing and reviewing the Group's policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of the Directors and senior management; (iii) reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and (v) reviewing the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

# CORPORATE GOVERNANCE REPORT

## E. Attendance Records of Directors

The attendance records of each Director at the Board meetings, Board committee meetings and the general meetings of the Company held from the Listing Date to the Latest Practicable Date is set out in the table below:

Name of Director	Board	Attendance/Number of Meetings			Annual General Meeting	Extraordinary General Meeting
		Audit Committee	Nomination Committee	Remuneration Committee		
Mr. Zhang Guodong	3/3	N/A	N/A	1/1	–	–
Ms. Lyu Yili	3/3	N/A	1/1	N/A	–	–
Mr. Xia Chenhao	3/3	N/A	N/A	N/A	–	–
Ms. Yeung Shuet Fan Pamela	3/3	1/1	1/1	1/1	–	–
Dr. Chan Tin Wai David	3/3	1/1	N/A	1/1	–	–
Mr. Shi Zhoufeng	3/3	1/1	1/1	N/A	–	–

During the period from the Listing Date to the Latest Practicable Date, no general meeting of the Company was held, and the Company held a total of three (3) Board meetings.

Code Provision C.2.7 of Part 2 of the CG Code recommends that the chairman should at least annually hold one meeting with the independent non-executive directors without the presence of other directors. As the Company was listed on the Main Board of the Stock Exchange on October 2, 2024, the Chairman did not hold any separate meeting with the independent non-executive Directors during the Reporting Period.

## F. Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems of the Group and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. Highlights of the Group's risk management and internal control systems include the following:

- Code of conduct – The Company's code of conduct explicitly communicates to each employee its values, acceptable criteria for decision-making and its ground rules for behavior.



# CORPORATE GOVERNANCE REPORT

- Process to identify and manage significant risks and material internal control defects – Significant risks or internal control defects identified by the management during the ordinary business operation of the Group will be reported to the Board as soon as practicable for further evaluating and management. A Board meeting will be held to conduct review and evaluation on the significant risks or internal control defects and appropriate actions will be taken to control the risks or to improve the internal control defects. For the period from the Listing Date to December 31, 2024, no significant risks, or material internal control failings or weaknesses have been identified by the Board or the management.
- Internal audit functions – The internal audit functions of the Group have been performed by the collaboration of the Board's office, finance department, legal department and human resources department recommending necessary by regular financial and operational review and recommending necessary actions to the management. The works carried out by the aforesaid departments of the Company ensure the risk management and internal control measures are in place and function properly as intended. The results of the internal audit and reviews are reported to the executive Directors and the Audit Committee.
- Compliance with the Listing Rules and relevant laws and regulations – The Group will continue to monitor its compliance with relevant laws and regulations and continue to arrange for various trainings to be provided by its legal advisers or other professional parties to the Directors and management on the Listing Rules, PRC laws and regulations, etc.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems. The management has reported and confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the period from the Listing Date to December 31, 2024.

The Board, as supported by the Audit Committee as well as the management, conducted an annual review on the risk management and internal control systems, including the financial, operational and compliance controls of the Group for the year ended December 31, 2024, to ensure the adequacy of resources, staff qualifications and experience, training programs and budget of accounting, internal audit, training reporting, etc. The Board considered that such systems and the process for financial reporting and Listing Rules compliance are effective and adequate.

The Group has adopted the Guidance on Information Disclosure which provides a general guide to the Company's Directors, senior management, officers and relevant employees in handling confidential information, monitoring information disclosures and responding to enquiries. The policy is to ensure potential inside information being captured and confidentiality of such information being maintained until consistent and timely disclosure is made in accordance with the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

- Designated responsible persons and departments for managing and handling the inside information;
- Specified disclosure requirements under the Listing Rules; and

- Stipulated disclosure procedures.

The Company has adopted arrangement to facilitate employees and other stakeholders to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters.

In addition, the Company has in place an anti-bribery and anti-corruption policy to safeguard against any corruption within our Company and to outline the principles and guidelines that the Company intends to apply to promote and support anti-corruption laws and regulations.

The Audit Committee shall review such arrangement regularly and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

The Group was not aware of any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering that would have a significant impact on the Group.

## **G. Directors' Responsibility in respect of the Consolidated Financial Statements**

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended December 31, 2024.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the independent auditor of the Group about their reporting responsibilities in the consolidated financial statements is set out in the section headed "Independent Auditor's Report" in this annual report.

## **H. Auditor's Remuneration**

The remuneration paid/payable to the Company's external auditor of the Company in respect of audit services and non-audit services for the year ended December 31, 2024 amounted to RMB2.2 million and RMB40,000 respectively.

## **I. Company Secretary**

Ms. Chan Yuen Mui of Entity Solutions of Computershare Hong Kong Investor Services Limited, has been engaged by the Company as the company secretary. Her primary contact person of the Company is Mr. Zhang Guodong, the Chairman, an executive Director and our chief executive officer.

During the Reporting Period, in compliance with Rule 3.29 of the Listing Rules, Ms. Chan Yuen Mui has undertaken no less than 15 hours of relevant professional training.

## J. Shareholders' Rights

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

### 1. Convening an Extraordinary General Meeting

Extraordinary general meetings may be convened on the requisition of one or more shareholders (including a recognized clearing house (or its nominee)) holding, at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per share basis) in the share capital of the Company pursuant to the Articles. Such requisition shall be made in writing to the Directors or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

### 2. Putting Forward Proposals at General Meetings

To put forward proposals at a general meeting of the Company, a shareholder should lodge a written notice of his/her/its proposal ("**Proposal**") with his/her/its detailed contact information at the Company's address as mentioned below. The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

### 3. Procedures for Shareholders to Propose a Person for Election as a Director

If a shareholder wishes to propose a person ("**Candidate**") for election as a director at a general meeting, he/she should deposit (i) a written notice of the intention to propose the Candidate for election as a director; and (ii) a written notice by the Candidate of his/her willingness to be elected to the Company or the Company's branch share registrar in Hong Kong at the address mentioned below at least seven clear days before the date of the general meeting and the period for lodgement of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and shall be at least seven clear days in length.

### 4. Putting Forward Enquiries to the Board

Shareholders may put forward any enquiries or requisitions to the Board by sending written enquiries to the Company.

## 5. Procedures for Raising Enquiries

Shareholders may send their enquiries or requests as mentioned above to the following:

Head Office and Principal	3rd-5th Floor, Unit 1, Tower 6 Sunshine City, Xiaoshan District,
Place of Business in China:	Hangzhou, Zhejiang Province, China
Principal place of business in Hong Kong:	46/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Attention:	Board of Directors of Carote Ltd
Email:	bodoffice@carote.cn

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. The information of the Shareholder(s) may be disclosed as required by law.

Shareholders are also encouraged to make enquires via the online enquiry form available on the Company's website at [www.mycarote.com](http://www.mycarote.com) and are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders should direct their enquiries about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong, details of which are as follows:

Computershare Hong Kong Investor Services Limited  
Address: Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai

## K. Communication with Shareholders and Investors

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

# CORPORATE GOVERNANCE REPORT

## L. Policies relating to Shareholders

The Company has in place a Shareholders' Communication Policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

A summary of the Shareholder's Communication Policy is set out as follows:

- Shareholders and the investors may at any time make a request for the Company's information to the extent such information is publicly available;
- Corporate communication will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding;
- Information released by the Company to the Stock Exchange is also posted on the Company's website immediately thereafter. Such information includes financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents, etc;
- Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings;
- Board members, in particular, the chairmen of Board committees or their delegates, appropriate management executives and external auditors will attend annual general meetings to answer Shareholders' questions; and
- Investors/analysts briefings and one-on-one meetings, media interviews, etc. will be available on a regular basis in order to facilitate communication between the Company, Shareholders and the investors.

From the Listing Date and up to December 31, 2024, the Company did not hold any general meetings. All the public information published on the Stock Exchange have also been published on the Company's website in English and Chinese versions to facilitate the Shareholder's understanding. Several investors' briefings have been arranged to enhance communication with the Shareholders and investors.

Based on the information set out in the above paragraphs, the implementation of the Shareholders' Communication Policy, which has been reviewed during the Reporting Period, is considered to be effective.

## **M. Dividend Policy**

The Company has adopted a Dividend Policy on payment of dividends. The Company does not have any predetermined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors, including but not limited to the actual and expected financial performance of the Company, Shareholders' interests and the Group's debt-to-equity ratio and return on equity ratio, etc., as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval.

## **N. Change in Constitutional Documents**

The Company adopted amended and restated Memorandum and Articles of Association on September 13, 2024, which have been effective from the Listing Date. During the period from the Listing Date to the date of this annual report, no other changes have been made to the said Memorandum and Articles of Association. The up-to-date version of the Company's Memorandum and Articles of Association are available on the websites of the Company and the Stock Exchange.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THE REPORT

This report is the first environmental, social and governance report (the “**Report**”) issued by Carote Ltd (the “**Company**”) for all stakeholders of the Company with a focus on disclosing its management approaches, practices and performance in environmental, social and governance (ESG) aspects.

### Basis and Principles of Preparation

This Report has been prepared primarily in accordance with the requirements of Appendix C2 “Environmental, Social and Governance Reporting Code ” (the “**Code** ”) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) issued by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), in light of the current business operations and the practical work on sustainable development of the Company.

This Report was prepared through steps including stakeholders identification, analysis of material issues, determination of reporting boundaries, data collection, report compilation, and Board of Directors’ review, to ensure compliance with the reporting principles explicitly stated in the Code .

**Materiality:** This Report has disclosed the environmental, social and governance topics we have identified as materially impacting business operations and both internal and external stakeholders, including their identification and assessment processes, criteria, and materiality assessment results of issues. It has also disclosed our communication mechanisms with key stakeholders and our approach to addressing their concerns and expectations.

**Quantification:** The statistical standards, methodologies, assumptions and/or calculation tools used for ESG key performance indicators and related data in this Report, as well as sources of conversion factors, are explained in the notes to this Report.

**Balance:** This Report presents our environmental, social and governance performance during the reporting year in an unbiased manner, avoiding selections, omissions or presentation formats that might inappropriately influence decisions or judgments of its readers.

**Consistency:** As the first Environmental, Social and Governance Report issued by the Group, this Report will employ consistent statistical methods to establish a foundation for comparability of subsequent environmental, social and governance data.

### Reporting Period and Boundary

This Report discloses information for the period from 1 January 2024 to 31 December 2024 (i.e., the reporting period), with some content appropriately extended beyond these dates. Unless otherwise stated, the scope of this Report covers environmental, social and governance information related to the business operations of Carote Ltd and its major subsidiaries.

### Reporting Process

The Board of Directors of the Group assumes full responsibility for the content reported in this Report and has confirmed and approved the content of this Report on 26 March, 2025.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Data Description

The data and information included in this Report are derived from Carote Ltd's internal data collection and statistical systems, qualitative and quantitative information gathering tools for report preparation, as well as practice cases reported by major subsidiaries. All currencies types involved in this report, unless otherwise specified, are denominated in RMB.

## Report Terminology

For ease of expression and reading convenience, Carote Ltd may also be referred to as "Carote", the "Company", the "Group" or "we" in this Report.

## Language

This Report is provided in Chinese and English for readers' reference.

## Report Format

This Report has been published on the Group's official website and the Stock Exchange website, accessible for viewing and downloading at: <https://www.mycarote.com> or <https://www.hkexnews.hk>.

## Statements of the Board

Sustainable development has become a shared mission for global enterprises. As a practitioner of high-quality development in China's kitchenware industry, Carote has deeply integrated ESG into its corporate strategy and operational practices, committed to delivering exceptional products to global consumers while promoting the harmonious coexistence of social value and commercial value.

**Compliance ecosystem safeguards global operations.** Compliance is the lifeline of Carote's sustainable development. We have established a compliance governance framework that incorporates compliance requirements throughout the entire decision-making, execution, and supervision processes. Through dynamic revisions of policy documents, we have built a closed-loop management system encompassing prevention, monitoring, handling, and improvement. In anti-corruption efforts, we implement a "zero-tolerance" approach with our Sunshine Project. During the reporting period, the Company did not experience any verified corruption incidents.

**Green transformation reshapes industry value.** Addressing climate change is an ESG key topic for Carote. Through green production and operational practices such as reducing energy-intensive manufacturing, promoting new energy logistics vehicles, and advocating energy-saving initiatives, we continuously drive carbon emission reductions while enhancing company-wide carbon awareness. We facilitate supply chain transition toward circular economy models and encourage suppliers to adopt energy-efficient technologies, leading partners in scientific carbon reduction and resource efficiency through concrete actions.



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**Quality and responsibility uphold customer trust.** Product quality represents Carote's solemn commitment to consumers. Our full lifecycle quality control system has maintained 'zero occurrences' of major quality incidents, while customer loyalty retention rates remain consistently at the industry's leading tier. In data security and privacy protection, we adhere to the principles of "minimum necessity, de-identification, and whole-process encryption", utilizing ISO 27001-certified vendor systems for data processing. No data or privacy breaches occurred during the year, solidifying our foundation of trust in the digital era.

**Diversity and inclusion energize organizational vitality.** Employees are Carote's most valuable assets. We build a talent ecosystem grounded in legality and equality, health and safety, and mutual growth, provide comprehensive employee benefits and welfare packages and establish sound promotion and training systems. Our employee grievance mailbox and innovation reward mechanisms genuinely enable every team member to participate in and benefit from corporate development.

We firmly believe sustainable development is a prolonged journey requiring universal participation and global collaboration. Carote pledges to collaborate with all stakeholders, translating sustainability commitments into tangible actions: each product embodies our green promise, every innovation catalyzes quality living!

*Chairperson*  
**Zhang Guodong**

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## ANNUAL AWARDS AND RECOGNITION

Awards/Recognition	Awarding Entity
2024 Green Sustainability Award	Amazon
2023 Brand Influence Award	Walmart
2022 Amazon Global Layout Brand Award	Amazon
2022 Kitchenware and Dining Tools Industry Growth Excellence Award	Tmall
2022 Annual Brand Award	Lazada

## Sustainable Development Governance

Carote firmly believes that integrating environmental protection, social responsibility, and corporate governance into daily operations not only enhances the Company's market competitiveness but also creates greater value for society. Therefore, we are committed to promoting long-term stable development and the fulfillment of environmental and social responsibilities through a comprehensive management framework, systematic risk and opportunity identification mechanisms, and the establishment of clear targets and indicators.

## ESG Management

We continuously improve the ESG governance framework to drive long-term stable development. Our governance framework consists of the Board of Directors and the ESG Working Group, ensuring the achievement of the Company's environmental, social, and governance objectives. The ESG Working Group reports to the Board of Directors on a quarterly basis, conducting comprehensive reviews of the progress of ESG-related matters to ensure alignment between daily execution and ESG strategic planning.

### Carote ESG Governance Framework

#### Board of Directors:

- Responsible for reviewing the ESG policies, goals and annual work plans as the Company's highest ESG decision-making body;
- Evaluate, determine, and address ESG-related risks and opportunities annually, and when necessary, engage independent third parties to assess risks, review strategies, targets, and internal controls, and implement improvements as needed to mitigate risks and improve ESG performance;
- Review the Company's progress in environmental protection, fulfillment of social responsibilities, and corporate governance;
- Responsible for approving the annual ESG report.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## **ESG Working Group:**

- The ESG Working Group comprises of interdisciplinary personnel and is responsible for formulate ESG action plans and organize their implementation under the guidance of the Board of Directors to ensure that related measures are completed on time and with the required quality in various business and functional lines;
- Regularly monitor various indicators, collect and analyze data, report on the progress of ESG goals, and promptly adjust strategies to respond to external changes;
- Prepare an annual environmental, social and governance report.
- Actively conduct communication with internal and external stakeholders.

**External expert advisors:** We engage an independent consultancy firm to provide expert guidance to our Board of Directors and management team to ensure we comply with the latest regulatory ESG requirements and fulfill our ESG-related responsibilities.

To comply with the reporting requirements of the Stock Exchange on ESG following our listing, we have adopted a comprehensive ESG policy. Such ESG policy will be reviewed on an annual basis. To effectively address ESG-related risks and opportunities while considering their broader environmental and societal impacts, we conduct a comprehensive risk and opportunity assessment. Based on the assessment, we establish specific ESG goals and key performance indicators as benchmarks to measure our performance and progress in these areas.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Communication with Stakeholders

The Company attaches importance to maintaining good communication with all stakeholders. We regularly identify key stakeholders related to our business operations and through practical actions, we maintain regular multi-channel communication with stakeholders including government and regulatory authorities, shareholders and investors, customers, business partners, employees, communities and media to respond to their expectations and demands.

Stakeholders	Expectations and Demands	Communication Channels and Methods
Government and Regulatory Authorities	Compliance with laws and regulations Alignment with national policies Compliant business operations Provision of corporate operational information	Annual reports Regulatory filings Official website disclosures
Shareholders and Investors	Protection of shareholder rights Enhancement of corporate governance Investment returns Provision of corporate operational information	General meetings Regular and ad-hoc reports Investor events and daily communications
Customers	High-quality products and services Prompt response to customer needs	Customer service management Customer feedback channels Social media platform interactions
Suppliers and Business Partners	Stable cooperative relationships Fair and equitable transactions Contribution to industry development	Business cooperation and daily communications Supplier communication channels Industry association events and exchange activities
Employees	Protection of employee rights Favorable working environment and development opportunities Fair and reasonable compensation Improvement of employee welfare	Employee communication channels Employee training programs Employee satisfaction surveys
Communities	Active contribution to local economic development Focus on corporate social responsibility fulfillment	Participation in philanthropic activities Strengthening communication and cooperation with local communities

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Materiality Issues Management

The Company conducts analysis of materiality issues to identify stakeholders' key annual concerns, effectively respond to their expectations and demands, and enhance ESG management capabilities.

Identification	Evaluation	Review
Research and analyze macro policies, industry trends concerns of same industry, and identified 17 topics across environmental, social and governance dimensions with reference to ESG standards, guidelines and rating systems.	Develop stakeholder engagement plans to conduct surveys through interviews, expert analysis and other methods with stakeholders including management and employees, and understand their priority concerns to form materiality assessment results of the issues.	The Board reviews and confirms the applicability and validity of results, and determines final key material topics.

Dimension	Topic	Importance	Impact
Governance	Anti-corruption and anti-bribery	Very important	Reduce the risk of legal problems and avoid fines, etc. Enhance public trust and maintain a level playing field.
	Reports and complaints	Very important	Prevent internal management loopholes and reduce operational risks. Enhance stakeholders' confidence in the company.
	Corporate governance	Very important	Enhance transparency and strengthen social supervision.
	Compliance management	Very important	Avoid rising compliance costs and safeguard market access.
Environmental	Climate change	Very important	Extreme weather disrupts supply and logistics. Promote the use of renewable energy and reduce the carbon footprint.
	Energy consumption	Relevant	Reducing energy consumption saves costs and increases profitability.
	Emissions and waste	Relevant	Promote environmental compliance in the supply chain and reduce resource consumption.
	Water resource management	Relevant	Water-saving technology reduces water costs.

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Dimension	Topic	Importance	Impact
Social	Product quality and safety	Very important	High-quality products reduce the risk of recalls and increase market share. Protect the health and safety interests of consumers.
	Customer service	Very important	Excellent service improves customer loyalty and repeat purchase rate. Inadequate complaint handling has led to a decline in reputation, which has affected sales.
	Privacy protection	Important	Compliance data management enhances the legitimacy of cross-border business. Protect the security of consumers' personal information and prevent a crisis of confidence.
	Supply chain management	Very important	Promote the adoption of cleaner production processes by suppliers to reduce the overall carbon footprint.
	Protection of employee rights	Important	Fair employment reduces labor disputes. Promote a culture of gender equality and diversity.
	Employee benefits and care	Important	Generous benefits attract talent, reduce recruitment costs, and improve employee satisfaction and retention.
	Talent training and development	Important	Skill training improves innovation efficiency. Enhance employees' professional competitiveness and improve the quality of employment in society.
	Occupational health and safety	Important	Ensure the safety of employees and improve operational stability.
	Community participation	Relevant	Facilitate the development of public welfare undertakings such as community environment, education, and medical care.

## 1. Sound Operations

Sound operations form the foundation of our long-term development and represent the core practice of Carote's ESG implementation. We have established a comprehensive compliance management framework covering the entire value chain. Through dynamic policy updates, strengthened anti-corruption and anti-bribery measures, enhanced intellectual property protection, and improved whistleblower protection systems, we systematically manage compliance risks. During the reporting period, no major legal disputes or regulatory penalties occurred.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ***Compliance Management Structure***

To ensure effective implementation of compliance management policies, Carote has established a robust organizational structure with clearly defined responsibilities, covering all business units, departments and employees across decision-making, execution, and supervision processes. The internal control and compliance department plays a central role in compliance management, while the Board of Directors, as the supreme leadership and decision-making body, oversees the establishment and operation of the compliance management system. Additionally, the Company has formed its compliance, internal control and risk management task forces, along with compliance officers in each department, creating a well-defined collaborative governance system that strengthens compliance as a cornerstone for sustainable development.

### **Responsible department**

### **Compliance management duties and responsibilities**

#### **Board of Directors**

The highest leadership and decision-making body for compliance management

- Promote the improvement of the compliance management system.
- Approve the compliance management plan, systems and reports of the Company.

#### **Compliance, Internal Control and Risk Management Steering Group**

Report to the Board of Directors on compliance management matters

- Establish and improve the organizational structure and management processes of compliance management.
- Review compliance management systems, plans and reports.

#### **Internal Control and Compliance Department**

Take the lead in managing corporate compliance.

- Formulate compliance management work plans, organizational system construction plans and systems.
- Conduct compliance risk identification and assessment, response, monitoring and early warning, inspection and assessment, and rectification;
- Review company rules and regulations and compliance with major issues;
- Receiving reports of violations, investigating and handling investigations of violations;
- Organize compliance training.
- Prepare the Company's annual compliance and risk management work report.
- Promote the construction of a compliance management information system.

#### **Compliance manager of each department**

Responsible for compliance management in the department

- Responsible for compliance information transmission, communication and reporting in the department.
- Participate in internal audits of the department.
- Maintain compliance management work such as the compliance regulations of the department.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ***Compliance Management System***

The Company has established a compliance management system, which mainly focuses on strengthening and standardizing the Company's compliance management, further enhancing corporate governance standards and risk prevention capabilities. We have formulated compliance management documents including the Compliance Management Policy, Anti-Corruption, Anti-Bribery and Anti-Fraud Regulations and Anti-Money Laundering Policy, which identify and define various compliance risks and emphasize the potential legal, financial and reputational consequences of misconduct such as corruption and bribery. In addition, the Company has established a policy improvement mechanism, with the internal control and compliance department leading all departments to continuously monitor external regulatory developments, regularly review policies and propose amendments to ensure compliance effectiveness.

## ***Compliance Risk Management***

The Company has established a closed-loop management process covering risk identification and early warning, risk response, review, whistleblowing and complaint mechanisms, accountability monitoring and improvement, ensuring compliance risks are controllable, traceable and manageable.

### **Process of Compliance Risk Management<sup>1</sup>**

- **Identification and Assessment:**

**Mechanism establishment:** Implement a compliance risk identification and early warning mechanism to comprehensively review compliance risks in business operations and systematically assess and analyze the likelihood of risks, their potential impact and consequences.

<sup>1</sup> GM-14-Compliance Management System



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- **Monitoring and Early Warning:**

**Real-time alerts:** Timely issuance of warnings for risks demonstrating typical patterns, prevalence or severe consequences.

**Inspection and monitoring:** The internal control and compliance department conducts compliance inspections and supervises corrective actions for identified issues.

**Information reporting:** In the event of a major compliance risk incident, the relevant department must immediately report to the internal control and compliance department and the general manager.

- **Control and Handling:**

**Reporting and accountability:** Establish a violation reporting channel where the audit department accepts investigations, and the human resources department improves the punishment mechanism.

**Rectification:** After discovering a violation, the internal control and compliance department will supervise the rectification and follow up on implementation.

- **Emergency Response:**

**Formulation of contingency plans:** For major compliance risk events, the leading group will coordinate and the relevant departments will work together to formulate risk management contingency plans.

- **Improvements and Feedback:**

**System evaluation:** The internal control and compliance department regularly evaluates the effectiveness, adequacy and applicability of the compliance management system and promotes corrective and optimization measures.

**Assessment-driven:** The performance of compliance duties is included in the assessment of department and subsidiary heads.

**Continuous improvement:** Closed-loop management is achieved through system revisions, process optimization, compliance training and cultural construction.

## ***Compliance Culture Construction***

Carote emphasizes building a compliance culture across all employees. Through regular compliance evaluations for subsidiaries and employees, organizing compliance training programs, and establishing compliance reporting mechanisms, we continuously enhance employees' compliance awareness and capabilities to ensure the effective operation of the compliance management system.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Compliance Requirements for All Employees

- Study and strictly comply with laws, regulations, regulatory requirements, industry standards, and the Company's internal policies relevant to their work;
- Proactively identify and manage compliance risks within their job responsibilities;
- Promptly report any detected violations or potential compliance risks to their respective departments and the Internal Control & Compliance Department.

### 1.1 Anti-corruption and anti-commercial bribery

The Company regards integrity-based operations and fair competition as the foundation of business activities. In the Anti-Corruption, Anti-Bribery and Anti-Fraud Regulations, we explicitly prohibit all forms of corrupt, bribery and fraudulent conduct, covering all economic activities and management processes involving personnel, finance and assets, to ensure our business is conducted under the principles of fairness, impartiality and transparency. The Company requires employees and suppliers to commit to eliminating bribery, kickbacks and other forms of improper benefits, with such compliance obligations incorporated into contractual terms. During the reporting period, no litigation cases involving corruption or bribery by the Company or its employees occurred.

The audit department serves as core supervisory body for anti-bribery/anti-corruption matters. It carries out commercial bribery governance and performs auditing oversight functions in accordance with laws and regulations, which mainly include supervising and managing integrity compliance among key departments and personnel, improving the policy framework, and tracking and supervising the implementation of anti-corruption measures inspections.

**Preventive measures:** Key personnel must sign a Commitment to Integrity and Self-Discipline before they start work, and suppliers must sign an Anti-Commercial Bribery Agreement before they start working together.

**Dynamic supervision:** The audit department regularly inspects the integrity of key departments and links, and tracks compliance risks in contract performance.

**Unannounced inspections:** Interdisciplinary inspections are carried out from time to time to identify potential risks of corruption and to examine preventive measures.

**Reporting channels:** Oversight and complaint channels are established and publicized to encourage employees and business partners to report corruption and fraud.

The Company has established comprehensive and stringent investigation and handling procedures for corruption cases to effectively address any potential corrupt or fraudulent activities.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## **Corruption Incident Handling Process:<sup>2</sup>**

Report received – compliance audit departments involved – special task force formed – evidence collected and investigated – special investigation report issued.

**Accountability and handling:** If an employee is found to have accepted bribes, they will be disciplined according to our regulations and, in serious cases, dismissed. Suppliers who offer bribes will be disqualified from cooperation. Cases involving suspected illegal cases will be directly transferred to judicial authorities.

## **Anti-corruption training**

We conduct regular anti-corruption training to ensure that employees deeply understand and practice our integrity culture.

In 2024, the Company conducted a total of two anti-corruption training sessions and two anti-corruption training sessions for Directors and senior management.

## **1.2. Intellectual property protection**

Carote remains committed to innovation empowering social value creation. Through systematic management systems, we ensure the integrity and security of technological achievements, brand value, and trade secrets.

We regard our trademarks, domain names, proprietary technology, trade secrets, and similar intellectual property as crucial to our overall success, and we rely on trademark and copyright laws, as well as confidentiality and non-competition agreements with our employees and other parties to safeguard our proprietary rights. We have registered various trademarks, patents, copyrights, and a domain name ([www.mycarote.com](http://www.mycarote.com)). During the reporting period, the Company was not involved in any lawsuits related to intellectual property infringement.

As of 2024, there are 36 valid patents and 114 valid trademarks.

## **1.3. Whistleblowing system and whistleblower protection**

We encourage employees and external stakeholders to report suspicious behavior, and promise to keep all reports strictly confidential and thoroughly investigate them, so that a culture of compliance can truly become embedded in the organizational DNA.

<sup>2</sup> GM-13 anti-corruption, anti-commercial bribery, and anti-fraud regulations

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Reporting channels

We attach great importance to the construction and improvement of the whistleblowing system, and are committed to providing employees and external stakeholders with safe and transparent reporting channel. We have published a reporting email to ensure all employees and business partners can submit reports through designated channels, either with real-name identification or anonymously.<sup>3</sup>

Email for reporting<sup>4</sup>: fin005@mycarote.cn

The audit department shall, in accordance with its authority and responsibilities, receive reports of violations, conduct investigations and handle such matters. Cases involving asset losses or serious adverse consequences shall be referred to the accountability investigation department, while those suspected of disciplinary violations or illegal activities shall be transferred to relevant public security authorities or agencies as stipulated by regulations.

### Reporting and handling procedures

**Acceptance and investigation:** Upon receiving a report, the audit department shall form a dedicated task force to conduct evidentiary investigations, ultimately producing and submitting a special investigation report to management.

**Collaboration and coordination:** All departments must promptly notify the audit department upon identifying any compliance violations.

## Whistleblower Protection Policy

To encourage genuine reporting and protect whistleblowers' rights, the Company is committed to maintaining strict confidentiality of all reported information including strictly prohibit the disclosure of whistleblowers' information and forbid sharing report details with reported individuals or departments, and take necessary measures to prevent any form of retaliatory behavior.<sup>5</sup>

<sup>3</sup> GM-14-Compliance Management System

<sup>4</sup> GM-13 anti-corruption, anti-commercial bribery, and anti-fraud regulations

<sup>5</sup> GM-13 anti-corruption, anti-commercial bribery, and anti-fraud regulations

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 2. Eco-friendly Practices

Carote upholds the core philosophy of “Green Innovation, Shared Responsibility” and drives comprehensive efforts to establish a green development framework. The Company focuses on key areas including tangible reduction of pollution emissions, enhancement of resource efficiency, and proactive response to climate change. Through holistic environmental measures and continuous technological innovation, we strive to minimize the impact of business operations on the environment and natural resources, achieving a win-win scenario for both economic and ecological benefits.

We have established environmental objectives aligned with our overall business strategic goals, and through regularly monitor and refine related targets while continuously optimizing the pathways to achieve them. We identified several certain indicators to assess environmental performance, enabling us to take appropriate actions to mitigate environmental and climate-related risks. The related goals and metrics have been established including:

Key Indicator <sup>6</sup>	Our Goal
Electricity consumption intensity	Using 2023 as the baseline year, we aim to reduce overall electricity consumption intensity by 5% over the next five years.
Water consumption intensity	Using 2023 as the baseline year, we aim to achieve a 5% reduction in total water use intensity within five years.

Notes:

Electricity consumption intensity is defined as the amount of electricity consumed per RMB1 million of revenue.

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

### 2.1. Reduction of pollutant and waste emissions

The Company strictly complies with applicable environmental regulations in the places where it operates businesses, including the Environmental Protection Law of the People’s Republic of China, the Water Pollution Prevention and Control Law, the Air Pollution Prevention and Control Law, and the Solid Waste Pollution Prevention and Control Law. We are committed to minimizing the environmental impact of our operations by implementing environmental safety monitoring mechanisms and other measures to reduce pollutant and waste emissions.

While we recognize that our business operations do not involve any significant direct emissions, wastewater discharge, noise, or waste generation, they may indirectly impact the environment. Therefore, we pay close attention to matters that may occur directly or indirectly during the product production, packaging, delivery, and sales processes.

<sup>6</sup> Prospectus

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To reduce pollutant and waste emissions, we have implemented the following relevant measures:

## **Procurement:**

- **Prioritize suppliers using recyclable materials:** We encourage our suppliers to increase the use of recyclable materials and give preference to suppliers that incorporate them into production. This reduces the demand for raw materials and alleviates pressure on natural resource extraction.
- **Promote a circular economy model in the supply chain:** We collaborate with factories certified under recycled material declaration standards to incorporate recyclable materials into our products.

## **Logistics:**

- **Eco-friendly transportation strategies:** We prioritize full-container-load (FCL) shipments. FCL significantly reduces the need for packaging materials, particularly disposable materials like foam plastics and cardboard, thereby minimizing waste generation.
- **Adoption of new energy vehicles:** We promote the use of new energy vehicles, including electric trucks and forklifts in warehouses and distribution centers to reduce air pollution during storage and handling operations.
- **Partnership with environmentally conscious logistics providers:** We select logistics partners that minimizing environmental impact, ensuring the use of clean-energy vehicles or low-emission technologies during transportation to reduce greenhouse gas and other harmful emissions.

## **2.2 Enhancing energy and resource efficiency**

We are committed to green office initiatives and sustainable packaging practices. By adopting eco-friendly materials, optimizing packaging designs, and implementing energy-saving measures, we strive to minimize our environmental impact.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 2.2.1 Green office practices

The Company has implemented a series of green office measures to improve resource and energy efficiency in daily operations. These initiatives not only reduce routine operational costs but also enhance employees' environmental awareness.

Green office measures:

- The ESG working group regularly audits water usage.
- Implement an intelligent power management system to monitor and control electricity usage;
- Install water-saving cleaning equipment to reduce water waste;
- Organize energy/water conservation campaigns and trainings (e.g. “**Earth Hour**”);
- Promote virtual meetings to minimize unnecessary business travel;
- Implement paperless office practices;
- Advocate turning off unused electrical appliances and lighting to conserve energy;
- Prevent food/beverage waste during production shoots;

## 2.2.2 Green packaging

The Company continuously optimizes green transformation strategy for the packaging process, and explores more environmentally friendly and efficient solutions. By implementing the principle of prioritizing the use of degradable materials, it establishes a comprehensive packaging solution covering usage reduction, reuse, recycling, and natural degradation, with a focus on reducing the proportion of non-degradable materials in packaging system. On this basis, the Company formulates phased implementation goals. It plans to promote the transformation of the supply chain in phases within five years, aiming to achieve the goal of 20% of its cooperative suppliers using environmentally friendly packaging materials, as well as ensuring that 80% of the product packaging is featured with recyclability, so as to gradually build a sustainable packaging management system.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 2.3. Climate change response

Carote fully recognizes the profound impact of climate change on the global environment, economy, and society. We are committed to reducing our carbon footprint and promoting low-carbon economic development through scientific management and continuous improvement.

### ***Climate Governance***

We integrate climate-related issues comprehensively into our ESG governance to ensure the Company effectively manages and mitigates risks arising from climate change while capturing potential business opportunities.

#### **Board of Directors:**

- As the highest decision-making body for the Company's climate governance, responsible for setting overall strategic direction and overseeing the achievement of climate-related targets;
- Regularly reviews the Company's climate policies, objectives and performance.

#### **ESG Working Group:**

- Implement measures for managing climate risks and opportunities;
- Conduct daily monitoring, analysis and reporting to ensure climate actions progress as planned;
- Responsible for collecting and organizing external climate-related information and data to support the Board of Directors for decision-making.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## **Climate Risk Identification and Response**

To implement climate change strategies more effectively, we systematically identify climate risks and opportunities, developing specific measures based on risk type, urgency, and potential impact.

Type of risk	Risk Description	Potential impact	Duration	Mitigation and adaptation measures
<b>Physical Risk</b>				
Acute risk	Impacts of extreme weather	Our business operations span globally, and rely on third-party logistics suppliers to transport goods worldwide. Extreme weather events may disrupt the transportation capacity of suppliers, prolong delivery time, result in our inability to maintain optimal inventory levels and consequently fail to meet customer demand. Furthermore, extreme weather may lead to freight rate fluctuations, thereby increasing our operating expenses.	Short-term	Establish and continuously improve emergency plans for extreme weather and strengthen inventory management to more effectively respond to extreme weather events including heavy rains, droughts and typhoons.
<b>Transition Risk</b>				
Market risk	Consumer preferences for eco-friendly products	Changes in customer demand may lead to reduced sales revenue.	Medium-term	Enrich product line by promoting green development, production and packaging to adapt to shifting consumer preferences;  Communicate green consumption concepts and convey our commitment to implementing sustainability principles to customers.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Type of risk	Risk Description	Potential impact	Duration	Mitigation and adaptation measures
Policy and legal risk	Tightening ESG regulatory requirements	Regulatory authorities may implement more stringent environmental regulations and standards applicable to us. As we transition towards sustainable development models, we may need to reduce usage of non-environmentally friendly packaging materials, leading to increased operating costs.	Medium-term	Closely monitor environmental policies and regulations and incorporate them into internal policies;  Provide environmental education and training to employees.
Market risk	Supply chain stability	The rapid growth in consumer demand for green products necessitates our re-screening of suppliers meeting environmental standards, potentially resulting in qualified supplier shortages and increased procurement costs.	Medium-term	Analyze consumption preferences through cross-border e-commerce platform data to continuously monitor market demand for energy-efficient materials, while strengthening supply chain management and improving raw material procurement and tracking.
Reputational risk	Corporate social responsibility scandals	The exposure of suppliers' environmental pollution, social responsibility incidents may result in brand vicarious liability, including consumer boycotts and increased financing costs.	Short-term	Implement ESG pre-qualification assessments for suppliers and enhance ESG performance across the supply chain through training, resource allocation and operational support for sustainable practices;  Establish a rapid-response crisis communications mechanism.

Type of opportunity	Opportunity Description	Potential impact	Duration	Action strategy
Product and service	Green product premium	Consumers demonstrate willingness to pay premium prices for low-carbon kitchenware.	Medium-to-long term	Increase R&D investment to develop more environmentally friendly products;  Enhance brand image of green attributes through campaigns.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Indicators and Targets

We continuously monitor quantifiable progress in addressing climate change.

Greenhouse gas emissions for 2022–2024:

Indicator	Unit	2022	2023	2024
Total GHG emissions	tCO <sub>2e</sub>	233.06	118.66	<b>111.03</b>
GHG emissions (Scope 1)	tCO <sub>2e</sub>	166.19	31.79	<b>16.48</b>
GHG emissions (Scope 2)	tCO <sub>2e</sub>	66.87	86.87	<b>94.55</b>

Notes:

- (1) The Group's greenhouse gas emissions are classified in accordance with the Reporting Guidance on Environmental Key Performance Indicators issued by the Stock Exchange.
- (2) Scope 1 emissions refer to direct emissions from operations owned or controlled by the Group.
- (3) Scope 2 emissions refer to energy indirect emissions resulting from the Group's consumption of purchased or acquired electricity, heating, cooling, and steam.

Since February 2022, we have ceased operations at internal production facilities and transitioned to a contract manufacturing model. As a result, in 2022, electricity and natural gas consumption related to production operations (including Scope 1 and Scope 2 emissions) significantly decreased. Additionally, from 2022 to the end of 2023, the termination of our restaurant operations led to a reduction in electricity and natural gas consumption. These two measures have reduced our greenhouse gas emissions by over 80% from 2021 to 2022 and from 2022 to 2023<sup>7</sup>.

## 3. Product Responsibility

As a practitioner of high-quality development in China's cookware industry, Carote strictly adheres to applicable laws and regulations in the places where we operate, including the Product Quality Law of the People's Republic of China. We have established a full life-cycle quality management system covering R&D, production, testing, and after-sales service. By integrating standardized processes with innovative technologies, we ensure outstanding performance and safety reliability of our products, delivering trusted kitchen solutions to global consumers.

<sup>7</sup> Prospectus-P268

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 3.1. Product quality

Through implementing stringent quality control measures and leveraging suppliers' quality control systems, we are committed to providing products that meet or exceed customer expectations. During the reporting period, no significant quality issues occurred with our products.

### *Quality Control Measures across the Value Chain<sup>8</sup>*

#### **Pre-Production Preventive Controls**

- **Design verification:** Conduct performance testing on product prototypes before mass production, retaining reference samples as production standards.
- **Risk anticipation:** Identify potential defects through critical parameter analysis and optimize manufacturing processes.

#### **Real-Time Production Monitoring**

- **Random sampling inspection:** Implement periodic sampling checks during production cycles, covering key performance indicators including non-stick properties, wear resistance, and structural integrity.
- **Immediate correction mechanism:** Initiate production line suspension upon detecting deviations, with resumption only after root cause analysis and corrective actions.

#### **Post-Production Multi-Dimensional Inspection**

- **Dual verification:** QC teams conduct comprehensive final inspections including visual assessments and functional testing.
- **Compliance validation:** Require coating suppliers to provide certified quality test reports.
- **Access control:** Only 100% compliant products enter warehouse inventory, with non-conforming items isolated and traceable to responsible production stages.
- **Market-specific compliance:** For countries or regions with unique quality/safety standards, we provide third-party test reports meeting jurisdictional requirements.

#### **Continuous Improvement Mechanisms**

- **Quarterly quality audits:** Randomly select products from inventory for testing by accredited local institutions every quarter.
- **New production line testing:** Conduct randomized quality tests on new production lines.

<sup>8</sup> Prospectus

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ***Product Return Policy***

We offer a limited warranty for all products sold, providing end consumers with a standard one-year product warranty. In the Chinese market, we implement a 7- or 15-day “no-questions-asked” return policy, while adhering to the return policies of online platforms in overseas markets. The warranty covers any defects resulting from manufacturing flaws, and we will promptly address such issues through repair, replacement of faulty components, or refund. During the reporting period, there were no product recalls, returns, product liability claims, or customer complaints that had a material adverse impact on our business.

## **3.2. Customer Service**

Carote fully recognizes that efficient customer complaint management and stringent privacy protection are not only cornerstones of compliant operations but also critical pathways to earning global consumers’ long-term trust and enhancing brand loyalty.

### ***3.2.1 After-sales service management***

We are committed to providing comprehensive support and services to ensure every issue is resolved promptly and effectively. Through proactive engagement, we collect valuable feedback to continuously improve and optimize our products and services.

By establishing a professional customer service team, implementing multi-channel communication mechanisms, and strengthening internal collaboration, we have achieved efficient after-sales complaint management. During the reporting period, we did not receive any significant customer complaints regarding after-sales services.

#### **Dedicated Customer Service Team**

The dedicated customer service team is responsible for handling various after-sales needs of customers, including processing customer feedback, reviews, inquiries and complaints, product returns and refunds, providing product usage guidance upon customer request, and addressing any other issues that may arise after purchase or during product use.

#### **Multi-Channel Communication Mechanism**

Through multiple communication channels including email correspondence and live chat, we actively engage with customers to address their questions and concerns, while gaining in-depth understanding of product quality, customer preferences, areas for improvement and market demand.

#### **Internal Information Sharing and Collaboration**

The customer service team compiles relevant information and shares it with the product design and development departments. This cross-departmental collaboration approach enables us to improve existing products and develop new products to meet customer needs and expectations.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 3.2.2 Data and privacy security

We strictly comply with applicable data security and privacy protection laws and regulations in all jurisdictions where we operate our business, establishing robust information security defenses to provide solid protection for global customers' privacy rights.

### Data Security Policies and Governance Framework

We have developed a data security management framework centered on the Data Security Management Measures, which includes formulating detailed data security guidelines, classifying data based on sensitivity levels, and implementing strict access controls.

A dedicated data security management framework unit, led by the IT department, oversees compliance and ensures data security throughout its entire lifecycle. During the reporting period, the Group did not experience any data breaches or compliance violations.

### Data Security Management Practices

We ensure the data confidentiality and integrity through risk assessments aligned with national and international standards, and adopt optimal data processing methods.

#### De-identified Data Processing:

- In business operations, we do not directly collect personal data but receive de-identified customer information from online marketplaces.
- We arrange product deliveries through the Jushuitan system and only share necessary de-identified data with third-party logistics providers.

#### Secure Collaboration with Partners:

- Jushuitan, as our IT system provider, not only complies with its own privacy policy but also holds ISO 27001 information security management system certification, ensuring best practices in information security management.
- We adhere to the information security agreements of the online platforms where we operate to guarantee data security and privacy security when using their services.

#### Employee Training and Confidentiality Agreements:

- All employees sign confidentiality agreements to prevent unauthorized disclosure of personal data.
- Employees receive data protection training to enhance awareness of data security. In 2024, we conducted three training sessions on data security and privacy protection.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Personal Privacy Protection

We are committed to protecting the privacy and security of consumers' personal information and strictly comply with the requirements of the Personal Information Protection Law of the People's Republic of China and other relevant regulations to safeguard customers' privacy rights. During the reporting period, the Company did not receive any complaints related to infringement of customer privacy or loss of customer data, nor was it involved in any related legal proceedings.

We have implemented a series of policies to regulate the collection, processing and use of data, including a data protection policy that outlines the guidelines and measures for protecting personal information collected and processed in our operations, and a data security policy that provides comprehensive methods to address data security issues.

## Personal Data Protection Policies and Measures

Our personal data protection policies and measures are designed to protect the personal information of customers, suppliers and employees that we come into contact with in our daily operations.

### Personal Data Protection Principles

- **Principle of minimum necessity:** Adhere to the principle of minimum necessity, collecting personal information only to the extent strictly required for providing products or services, and strictly prohibiting unnecessary data collection.
- **Principle of lawful traceability:** Ensure the traceability of all collected personal information sources, prohibiting any deceptive practices that mislead or coerce individuals into providing personal information.
- **Principle of secure control:** Implement all necessary technical and administrative measures to ensure the security of processed personal information, preventing unauthorized access, use, or disclosure.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Comprehensive Personal Data Protection Measures

### Data Collection

- **De-identification processing:** Indirectly obtain data through e-commerce platforms with de-identification of information (e.g., names, addresses, phone numbers) during collection and storage, ensuring original sensitive data remains solely with the platform;
- **Traceable sources:** Only receive data from legitimate partners, rejecting information from unlawful channels.

### Data Processing and Usage

- **Access control:** Grant data access exclusively to authorized employees for necessary operations, with audit logs tracking all activities;
- **Consent and notification:** Strictly process data within customers' authorized scope, prohibiting excessive processing. Before handling any personal information, we obtain explicit consent and provide clear notices detailing: our identity, contact details, processing purposes/methods, data categories, retention periods, and individual rights. Any modifications will be promptly notified;
- **Sensitive data avoidance:** Avoid direct collection of sensitive information in operations. When processing is unavoidable, prioritized methods remove identifiable markers to prevent tracing to specific individuals without additional data.

### Data Storage and Disposal

- **Retention management:** Implement minimum storage periods, with automatic destruction/anonymization upon expiry, except where laws/contracts stipulate otherwise;
- **Third-party sharing:** Generally, we do not share personal data externally. When operationally necessary, we: prior to any data sharing, disclose recipient details, obtain re-consent, and contractually bind recipients to strict compliance with agreed purposes/methods.

## 3.3. Supplier Management

Carote Ltd has established a transparent, agile and responsible global supply chain system through comprehensive compliance governance, efficient resource allocation and technology-driven innovation.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 3.3.1 Supplier selection and collaboration

We have implemented supply chain management framework and policies to support our global strategy while ensuring efficient and sustainable operations. To better adapt to diverse market needs, we have introduced regional management systems in major overseas markets, granting local teams autonomy in supply chain management to ensure operational strategies align closely with local market conditions. Furthermore, to enhance supply chain resilience and robustness, we are committed to supply chain diversification by actively seeking reliable suppliers globally, particularly in emerging markets, to mitigate risks of operational disruptions.

Number of suppliers for 2022–2024

	2022	2023	2024
Total number of suppliers <sup>9</sup>	259	272	290

We have established strict supplier screening and assessment processes. In the supplier screening process, the Company conducts comprehensive reviews of suppliers' production experience, equipment capabilities, quality standards and industry reputation through a multi-dimensional evaluation system, and implements a dual verification mechanism of "on-site inspection + trial order testing" – only suppliers that pass factory on-site verification and whose trial production samples meet quality standards can be included in the cooperation list, building a quality defense line from the source. On this basis, the Company adopts a dynamic cooperation strategy: for non-core product lines, a flexible model of placing independent purchase orders as needed is adopted to avoid inventory risks locked in by long-term contracts; for core product lines, stable cooperation with some high-quality suppliers is maintained while retaining flexible allocation capabilities to quickly respond to market demand fluctuations.

During the cooperation process, we provide technical guidance to suppliers to improve their production efficiency and quality control; helping them optimize production processes to enhance resource utilization efficiency and overall product quality. In addition, we assign our personnel to supervise production operations at contract manufacturing factories on-site and provide assistance on production-related matters.

<sup>9</sup> Prospectus

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 3.3.2 Supply chain ESG management

We integrate ESG principles into supply chain management, prioritizing suppliers that adopt environmental protection measures. Through technological innovation and collaborative empowerment, we are building a green, efficient, and sustainable global supply chain network. Based on this, the Company has set clear supply chain ESG goals:

1. By 2028, newly purchased production equipment from contract manufacturers will consume less energy than all comparable market equipment.
2. Within five years, the proportion of suppliers with recycled content standard certification will increase to 20%.

In energy management, in order to increase clean energy usage and reduce electricity consumption, we have installed solar panels in production facilities and conduct regular circuit inspections to minimize power loss. We also require suppliers to optimize their production processes by preventing equipment idling and unnecessary restarts, as well as adopting new coating technologies that are more energy-efficient and conserve electricity and natural gas.

In resource efficiency improvement, we continue strive to enhance product formulations and designs to reduce raw material usage. Additionally, we require manufacturers to strengthen quality control procedures to minimize defects and subsequent rework, thereby reducing raw material waste.

To promote sustainable water use, the Company promotes the installation of rainwater harvesting systems and the adoption of wastewater treatment technologies among suppliers. This enables the recycling and reuse of water generated during production processes, strengthening water conservation efforts.

We actively implement supplier ESG capability co-development programs. By collaborating with upstream suppliers to research and improve cookware production processes, we enhance production efficiency while reducing electricity and water consumption per unit of product. Additionally, we provide suppliers with guidance and training on energy-saving processes and ESG management.

## 4. People-Oriented Approach

Carote Ltd firmly believes that talents with exceptional professional skills and global perspectives are the Company's most valuable assets. With legal equality, health and safety, and mutual growth as core pillars, we are building an inclusive, empowering and sustainable global talent ecosystem.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 4.1. Protection of employee rights

Carote Ltd strictly complies with international labour standards and the laws and regulations of the countries and regions where we operate, resolutely prohibits human rights violations such as the employment of child labour, forced or compulsory labour, as well as workplace harassment, abuse and any form of discriminatory behaviour, and clearly stipulates that any suspicious circumstances must be reported immediately. In 2024, there were no violations of laws and regulations involving child labour or forced labour by the Company.

We advocate and practice employee diversity, ensuring that no form of discrimination against employees is made based on gender, age, race, nationality, marital status, disability or religious belief. In terms of recruitment, remuneration and promotion management, we maintain non-discriminatory practices to ensure that all employees and candidates have equal promotion and employment opportunities, and we are committed to creating equal, diverse and supportive working environment for all employees.

The Company strictly complies with the labour laws of China, and has established an employee management system covering labour contract management, welfare protection and rights protection to ensure the legality. In accordance with the requirements of PRC law, we sign standard labour contracts with all employees upon their employment, and participate in China's social insurance schemes (covering pension, medical, work-related injury, unemployment and maternity insurance) and the housing provident fund scheme, contributing for employees at the proportion stipulated by local governments. In 2024, the signing rate of labour contracts for full-time employees reached 100%.

To enhance employees' sense of belonging and team cohesion, we provide a series of comprehensive welfare benefits, including medical and retirement benefits, workers' compensation and other miscellaneous benefits, to ensure that they feel the care and support of the Company in their work.

## 4.2. Occupational health and safety

We have established a comprehensive health and safety system covering risk prevention and education/training. The Company provides internal guidelines and training on work safety regulations to significantly reduce employee injury risks while enhancing awareness of safety policies and risk prevention measures.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company systematically promotes the fire safety capacity building of all employees. In 2024, fire protection training and emergency drills were fully covered for all employees. In addition, the Company improved the prevention and control mechanisms for infectious diseases and other illnesses, and strengthened the training on standard operating procedures, ensuring that all employees accurately understood and promptly implemented the requirements for health monitoring and reporting, and establishing a multi-dimensional and interconnected health and safety management network.

As of the end of 2024, the Group recorded zero work-related fatalities or major personal injury incidents among employees or suppliers.

## 4.3. Career development

We focus on employees' career development and personal growth by providing continuous learning and development opportunities to meet their needs at different stages.

We advocate for creating personalized career development plans tailored to employee's characteristics and professional goals, and encourage employees to participate in both internal and external training courses to enhance their individual skills and development potential. We offer comprehensive training opportunities including on-boarding training, corporate culture training, technical competency training, as well as third-party training programs. The Company allocates dedicated funding for external training initiatives and has established the "Internal Mobility Policy". Through job rotation programs, mentorship schemes and other initiatives, we help employees gain in-depth understanding of key business functions including production, R&D, operations, marketing, strategy and business development, thereby cultivating versatile industry talent.<sup>10</sup>

<sup>10</sup> Prospectus-P184

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Training system

Training Program	Participants	Training Content
On-boarding and Pre-job Training	New employees	Comprehensive on-boarding covering corporate culture, policies, and job skills to facilitate rapid integration.
Professional Competency	Supply chain, operations, product strategy and other departments	<p>Special training programs, covering professional training in areas such as procurement, planning, and quality inspection.;</p> <p>Provide customized product knowledge and professional competency training for new employees of business lines such as supply chain, operations, and customer service;</p> <p>Engage external training resources to address departmental requirements so as to develop customized training programs for business units.</p>
Compliance Literacy	All employees	Conduct compliance and business ethics related training, covering anti-fraud, anti-money laundering, anti-corruption, and anti-bribery as well as information confidentiality.
Leadership Development	Management trainees	Establish a systematic global management trainee program to cultivate well-rounded future leaders.
Management Skills Enhancement	Management personnel	Introduce external training resources to develop customized management capability training programs.

## Promotion system and incentive measures

We implement a multi-dimensional evaluation mechanism and diversified performance assessment methods, including but not limited to monthly, quarterly, semi-annual and annual evaluations. The assessment covers professional qualifications, corporate values and departmental performance reviews to ensure objective and fair evaluations that motivate employees to continuously improve themselves and achieve career growth.

Recognizing the importance of offering competitive compensation packages to attract, motivate and retain talents, we have established an annual bonus scheme and implemented an awards system to recognize employees with outstanding annual performance.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 4.4. Employee communication and care

We establish institutionalized communication mechanisms and humanized welfare programs to build an open, transparent and caring employee relations ecosystem. This empowers employees to participate in governance and share development achievements, while continuously enhancing organizational cohesion and sustainable development capabilities.

### *Democratic communication and feedback channels*

We value employee feedback and encourage participation in decision-making processes. The Company has implemented a formal employee consultation system for major decisions, collecting suggestions through departmental meetings and online surveys to foster ownership mentality. In addition, the company encourages employees to actively provide opinions and suggestions. Regarding daily work, the external environment, process systems, and other aspects, all employees can submit relevant opinions or suggestions via the designated corporate email. Where proposed solutions are adopted, the Company will provide appropriate rewards to encourage continuous process improvements.

An employee grievance mechanism is established. Employees encountering unfair treatment may file complaints via the corporate email (hr@mycarote.cn). The audit department will conduct factual investigations and coordinate resolutions.<sup>11</sup>

### *Employee care initiatives*

Our welfare programs include holiday celebrations, gender-specific care activities and support measures for vulnerable groups, ensuring all employees feel valued. Milestone occasions including work anniversaries are recognized with thoughtful gifts, while holiday benefits express appreciation for employees’ dedication.

## 5. Corporate Citizenship Responsibility

We firmly believe in the significance of giving back to society, as this has always been the foundation for Carote’s sustainable business operations. By undertaking corporate social responsibilities and actively participating in philanthropic activities, we aim to contribute to the overall well-being of society.

We actively make regular donations to the Alibaba Foundation, and the contributions benefit various public welfare and charitable fields, including environmental protection, children’s care, rural development, philanthropy, and women’s development.

	2022	2023	2024
Philanthropic donations	RMB249,200	RMB241,900	RMB238,000

<sup>11</sup> HR-01-Employee Manual 2.0

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## APPENDIX TO THE REPORT

### Table of ESG KPIs

Note: Governance Performance Table

Indicator	Unit	2024
Anti-corruption training hours	hour	5
Anti-corruption training hours for Directors and senior management	hour	5
Substantiated corruption-related legal cases involving the Company/ employees	number	0

Note: Environmental Performance Table

Indicator	Unit	2024
Consumption of purchased electricity	kWh	152,381
Gasoline consumption	litre	6,891.08
Diesel	litre	529.19
Natural gas	m <sup>3</sup>	0
Total GHG emissions	tCO <sub>2e</sub>	111.03
GHG emissions (Scope 1)	tCO <sub>2e</sub>	16.48
GHG emissions (Scope 2)	tCO <sub>2e</sub>	94.55

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Note: Social Performance Table

Indicator	Unit	2024
Number of suppliers	number	290
Percentage of total number of products sold or shipped recalled due to safety/health reasons	%	0
Total number of employees	person	188
Total number of female employees	person	128
Total number of male employees	person	60
Number of full-time employees	person	188
Number of part-time employees	person	0
number of employees – under 25 years old	person	35
number of employees – 25 to 50 years old	person	144
number of employees – over 50 years old	person	9
Number of work-related fatalities	person	0
Percentage of work-related fatalities	%	0
Number of workdays lost due to occupational injuries	day	0
Employee turnover rate	%	8.5%
Employee turnover rate – female	%	9.3%
Employee turnover rate – male	%	6.6%
Total employee training hours	hour	8,500
Average training hours per employee	hour	45
Average training hours for female employees	hour	50
Average training hours for male employees	hour	35
Average training hours for management	hour	100
Average training hours for general employees	hour	38
Percentage of employees receiving vocational training	%	95
Percentage of female employees receiving training	%	95
Percentage of male employees receiving training	%	95
Percentage of senior management receiving training	%	100
Percentage of middle management receiving training	%	100
Philanthropic donations	RMB'0,000	23.8



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## CONTENT INDEX OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

Aspect		Description	Location/Response
<b>A. Environmental</b>			
A1: Emissions	General Disclosure	Information on:  (a) the policies; and  (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	2.1 Reduction of pollutant and waste emissions
	A1.1	The types of emissions and respective emissions data.	Our business operations do not involve direct emissions of any hazardous waste, wastewater or noise.
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2.3 Climate change response  APPENDIX TO THE REPORT: Table of ESG KPIs
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our business operations do not involve direct emissions of any hazardous waste, wastewater, or noise.
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our business operations do not involve direct emissions of any hazardous waste, wastewater or noise.
	A1.5	Description of emission target(s) set and steps taken to achieve them.	2.1 Reduction of pollutant and waste emissions
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	2.1 Reduction of pollutant and waste emissions

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect		Description	Location/Response
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	2.2. Enhancing energy and resource efficiency
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (in thousands of MWh) and intensity (e.g. per unit of production volume, per facility).	APPENDIX TO THE REPORT: Table of ESG KPIs
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	2.2. Enhancing energy and resource efficiency
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	2.2. Enhancing energy and resource efficiency
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	
A3: Environment and Natural Resources	General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	2.2. Enhancing energy and resource efficiency
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	2.2. Enhancing energy and resource efficiency
A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	2.3 Climate change response
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	2.3 Climate change response

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect		Description	Location/Response
<b>B. Social</b>			
B1: Employment	General Disclosure	Information on:  (a) the policies; and  (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, holidays, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4.1 Protection of employee rights  4.3 Career development
	B1.1	Total workforce by gender, employment type (for example, full or part-time), age group and geographical region.	APPENDIX TO THE REPORT: Table of ESG KPIs
	B1.2	Employee turnover rate by gender, age group and geographical region.	APPENDIX TO THE REPORT: Table of ESG KPIs
B2: Health and Safety	General Disclosure	Information on:  (a) the policies; and  (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.2 Occupational health and safety
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	APPENDIX TO THE REPORT: Table of ESG KPIs There have been no work-related fatalities in the past three years.
	B2.2	Lost days due to work injury.	APPENDIX TO THE REPORT: Table of ESG KPIs
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	4.2 Occupational health and safety

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect		Description	Location/Response
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for performing duties at work. Description of training activities.	4.3 Career development
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	APPENDIX TO THE REPORT: Table of ESG KPIs
	B3.2	The average training hours completed per employee by gender and employee category.	APPENDIX TO THE REPORT: Table of ESG KPIs
B4: Labor Standards	General Disclosure	Information on:  (a) the policies; and  (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	4.1 Protection of employee rights
	B4.1	Description of measures to review employment practices to avoid child and forced labor.	4.1 Protection of employee rights
	B4.2	Description of steps taken to eliminate such practices when discovered.	4.1 Protection of employee rights
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	3.3 Supplier Management
	B5.1	Number of suppliers by geographical region.	APPENDIX TO THE REPORT: Table of ESG KPIs
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	3.3 Supplier Management  APPENDIX TO THE REPORT: Table of ESG KPIs
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	3.3 Supplier Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	3.3 Supplier Management

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect		Description	Location/Response
B6: Product Responsibility	General Disclosure	Information on:  (a) the policies; and  (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	3.1 Product quality
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	APPENDIX TO THE REPORT: Table of ESG KPIs
	B6.2	Number of products and services related complaints and how they are dealt with.	3.2 Customer service
	B6.3	Description of practices related to observing and protecting intellectual property rights.	1.2 Intellectual property protection
	B6.4	Description of the quality assurance process and product recall procedures.	3.1 Product quality
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	3.2 Customer service

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect		Description	Location/Response
B7: Anti-corruption	General Disclosure	Information on:  (a) the policies; and  (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	1.1. Anti-corruption and anti-commercial bribery
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	APPENDIX TO THE REPORT: Table of ESG KPIs
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	1.1. Anti-corruption and anti-commercial bribery  1.3 Whistleblowing system and whistleblower protection
	B7.3	Description of anti-corruption training provided to directors and staff.	1.1. Anti-corruption and anti-commercial bribery  APPENDIX TO THE REPORT: Table of ESG KPIs
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	5. Corporate Citizenship Responsibility
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	5. Corporate Citizenship Responsibility
	B8.2	Resources contributed (e.g. money or time) to the focus area.	5. Corporate Citizenship Responsibility  APPENDIX TO THE REPORT: Table of ESG KPIs

# INDEPENDENT AUDITOR'S REPORT

## To the Shareholders 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 103 to 176, comprise:

- the consolidated statement of financial position as at December 31, 2024;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; 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 consolidated financial position of the Group as at December 31, 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for 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.

# INDEPENDENT AUDITOR'S REPORT

## Key Audit Matters

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

The key audit matter identified in our audit is related to revenue recognition of online sales.

### Key Audit Matter

Revenue recognition of online sales

Refer to note 5 "Segment Information" to the consolidated financial statements.

The Group's major revenue transactions are from sales of products to customers over third-party e-commerce platforms (referred to as "**online sales**"), with revenue recognized of RMB1,774 million, representing 85.6% of our total revenue for the year ended December 31, 2024. Revenue from online sales is recognized at the point in time when control of asset is transferred to the customers, generally on the receipt of products by customers.

We identified revenue recognition of online sales as a key audit matter due to the huge volume of online sales generated from a large number of individual customers, and thus significant audit time and resources were devoted in this area.

### How our audit addressed the Key Audit Matter

We have performed the following procedures to address this key audit matter:

We understood, evaluated and tested internal controls over revenue from online sales, including information technology general controls and automated controls.

We performed risk based analytical procedures over operational data, including consumer behaviour analysis at a disaggregated level, to evaluate the overall trend of revenue fluctuations from online sales.

We understood the Group's accounting policy on revenue recognition of online sales, evaluated and tested revenue from online sales on a sample basis by:

- Testing the occurrence and accuracy of revenue from online sales by tracing to relevant supporting documents including sales orders and e-commerce platform statements.
- Performing confirmation procedures with the e-commerce platform regarding the funds received.
- Testing whether revenue was recognized in the appropriate reporting period by tracing to relevant supporting documents.

Based on the procedures performed, we considered the Group's revenue recognition of online sales was supported by the evidence obtained.



# INDEPENDENT AUDITOR'S REPORT

## Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in Carote Ltd 2024 Annual Report (the “**annual report**”) other than the consolidated financial statements and our auditor's report thereon. We have obtained some of the other information including the corporate information, biographical details of directors and senior management and management discussion and analysis prior to the date of this auditor's report. The remaining other information, including directors' report, chairman's statement, corporate governance report and the other sections to be included in the annual report, is expected to be made available to us after that date.

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

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

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

When we read the remaining other information to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate action considering our legal rights and obligations.

## Responsibilities of Directors and Those Charged with Governance 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 the disclosure requirements of the Hong Kong Companies Ordinance, 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.

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

# INDEPENDENT AUDITOR'S REPORT

## 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 HKSAAs 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 HKSAAs, 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

# INDEPENDENT AUDITOR'S REPORT

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)**

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Dou Wang, Angel.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, March 26, 2025

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Year ended December 31,	
		2024 RMB'000	2023 RMB'000
Revenue	5	2,073,251	1,583,082
Cost of sales	8	(1,237,854)	(1,017,941)
<b>Gross profit</b>		<b>835,397</b>	565,141
Selling expenses	8	(375,528)	(245,400)
Administrative expenses	8	(62,372)	(31,636)
Research and development expenses	8	(41,356)	(35,885)
Net (impairment losses)/reversal of impairment on financial assets	3.1	(161)	274
Other income	6	32,143	3,194
Other gains – net	7	10,234	15,500
<b>Operating profit</b>		<b>398,357</b>	271,188
Finance income	10	19,160	7,447
Finance costs	10	(258)	(322)
<b>Finance income – net</b>		<b>18,902</b>	7,125
<b>Profit before income tax</b>		<b>417,259</b>	278,313
Income tax expense	12	(61,299)	(41,839)
<b>Profit for the year</b>		<b>355,960</b>	236,474
<b>Profit attributable to:</b>			
Owners of the Company		355,994	237,132
Non-controlling interests		(34)	(658)
		<b>355,960</b>	236,474
<b>Earnings per share attributable to the equity holders of the Company (in RMB)</b>			
Basic earnings per share	14	0.81	0.59
Diluted earnings per share	14	0.81	0.59

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended December 31,	
	Note	2024 RMB'000	2023 RMB'000
<b>Profit for the year</b>		<b>355,960</b>	236,474
Other comprehensive income/(loss):			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences on translation of foreign operations		<b>2,839</b>	3,062
<i>Item that will not be reclassified to profit or loss</i>			
Currency translation differences on translation of the Company		<b>18,056</b>	(42)
<b>Other comprehensive income for the year, net of tax</b>		<b>20,895</b>	3,020
<b>Total comprehensive income for the year</b>		<b>376,855</b>	239,494
Total comprehensive income attributable to:			
Owners of the Company		<b>376,889</b>	240,149
Non-controlling interests		<b>(34)</b>	(655)
		<b>376,855</b>	239,494

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at December 31,	
	Note	2024 RMB'000	2023 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	71,188	10,955
Right-of-use assets	16	3,678	6,905
Time deposits	21	183,727	80,146
Deferred tax assets	29	9,080	6,865
Investments accounted for using the equity method		–	*
		<b>267,673</b>	104,871
<b>Current assets</b>			
Inventories	17	154,849	108,282
Trade receivables	18	85,774	73,854
Prepayments, other receivables and other current assets	19	28,554	24,034
Time deposits	21	766,010	88,952
Financial assets at fair value through profit or loss	20	36,243	–
Restricted cash	21	5,316	–
Cash and cash equivalents	21	377,332	236,064
		<b>1,454,078</b>	531,186
<b>Total assets</b>		<b>1,721,751</b>	636,057
<b>EQUITY</b>			
Share capital	22	1,985	1,460
Share premium	22	790,710	137,208
Shares held for shares award scheme	22	(6)	(6)
Reserves	23	(221,040)	(244,115)
Retained earnings		684,111	328,117
		<b>1,255,760</b>	222,664
Non-controlling interests		(77)	(43)
<b>Total equity</b>		<b>1,255,683</b>	222,621

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at December 31,	
	Note	2024 RMB'000	2023 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities	16	–	2,028
Deferred tax liabilities	29	–	303
		–	2,331
<b>Current liabilities</b>			
Trade and bills payables	26	397,020	358,634
Other payables and accruals	27	27,287	11,206
Current income tax liabilities		37,633	33,522
Borrowings	28	–	5,004
Lease liabilities	16	4,128	2,739
		466,068	411,105
<b>Total liabilities</b>		466,068	413,436
<b>Total equity and liabilities</b>		1,721,751	636,057

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

The financial statements on pages 103 to 176 were approved by the Board of Directors on March 26, 2025 and were signed on its behalf.

**Zhang Guodong**  
Director

**Lyu Yili**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company							
	Note	Share capital RMB'000	Share premium RMB'000	Shares held for shares award scheme RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
As at January 1, 2023		–	–	–	46,636	90,985	137,621	(368)	137,253
Comprehensive income/(loss)									
Profit/(loss) for the year		–	–	–	–	237,132	237,132	(658)	236,474
Currency translation differences on translation of foreign operations		–	–	–	3,059	–	3,059	3	3,062
Currency translation differences on translation of the Company		–	–	–	(42)	–	(42)	–	(42)
Total comprehensive income/(loss)									
		–	–	–	3,017	237,132	240,149	(655)	239,494
Transaction with owners in their capacity as owners									
Cash contributions from the then shareholders	23	–	–	–	687	–	687	–	687
Deemed distribution to shareholders pursuant to the disposal of assets	23	–	–	–	(89,360)	–	(89,360)	–	(89,360)
Deemed distribution to shareholders pursuant to the Reorganization	22	–	–	–	(67,731)	–	(67,731)	–	(67,731)
Issuance of ordinary shares in relation to the Reorganization	22	1,460	137,208	(6)	(137,982)	–	680	–	680
Acquisition of non-controlling shareholder's equity		–	–	–	(980)	–	(980)	980	–
Share-based payment	24	–	–	–	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 STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company							
		Shares held for shares award					Retained earnings	Non- controlling interests	Total equity
		Share capital RMB'000	Share premium RMB'000	scheme RMB'000	Reserves RMB'000	Total 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 year		–	–	–	–	355,994	355,994	(34)	355,960
Currency translation differences on translation of foreign operations		–	–	–	2,839	–	2,839	*	2,839
Currency translation differences on translation of the Company		–	–	–	18,056	–	18,056	–	18,056
Total comprehensive income/(loss)		–	–	–	20,895	355,994	376,889	(34)	376,855
Transaction with owners in their capacity as owners									
Issuance of shares upon global offering and over-allotment option	22	525	753,502	–	–	–	754,027	–	754,027
Dividend distribution to shareholders	13	–	(100,000)	–	–	–	(100,000)	–	(100,000)
Share-based payment	24	–	–	–	2,180	–	2,180	–	2,180
Transaction with owners in their capacity as owners									
		525	653,502	–	2,180	–	656,207	–	656,207
As at December 31, 2024		1,985	790,710	(6)	(221,040)	684,111	1,255,760	(77)	1,255,683

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

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended December 31,	
	Note	2024 RMB'000	2023 RMB'000
<b>Cash flows from operating activities</b>			
Net cash generated from operations	30	402,134	274,256
Interest received from cash at banks	10	7,799	–
Income taxes paid		(59,706)	(30,305)
<b>Net cash generated from operating activities</b>		<b>350,227</b>	<b>243,951</b>
<b>Cash flows from investing activities</b>			
Proceeds from sales of property, plant and equipment	30	118	–
Payments for property, plant and equipment		(68,998)	(5,863)
Proceeds from time deposits		288,200	132,893
Payments for time deposits		(1,064,091)	(143,452)
Interest received from time deposits		6,614	7,447
Proceeds from disposal of financial assets at fair value through profit or loss	3.3	–	260,264
Payments for financial assets at fair value through profit or loss	3.3	(35,945)	(210,101)
Proceeds from a related party	33	–	1,000
Repayment of loans to related parties	33	7	5,909
<b>Net cash (used in)/generated from investing activities</b>		<b>(874,095)</b>	<b>48,097</b>
<b>Cash flows from financing activities</b>			
Cash contributions from the shareholders	23	–	687
Issuance of ordinary shares	22	–	680
Proceeds from issuance of shares upon global offering and over-allotment option		762,038	–
Proceeds from borrowings		–	5,000
Repayment of borrowings		(5,000)	(19,231)
Interest paid on borrowings		(83)	(164)
Payments for listing expenses		(7,793)	(1,987)
Principal payments and interest paid of lease liabilities	16	(1,108)	(3,698)
Deemed distribution to shareholders pursuant to disposal of assets	23	–	38,214
Deemed distribution to shareholders pursuant to the Reorganization	22	–	(67,731)
Dividend paid to the then shareholders	13	(100,000)	(50,000)
<b>Net cash generated from/(used in) financing activities</b>		<b>648,054</b>	<b>(98,230)</b>
<b>Net increase in cash and cash equivalents</b>		<b>124,186</b>	<b>193,818</b>
Cash and cash equivalents at beginning of the year	21	236,064	42,480
Effects of exchange rate changes on cash and cash equivalents		17,082	(234)
<b>Cash and cash equivalents at end of the year</b>	21	<b>377,332</b>	<b>236,064</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

### 1.1 General information

Carote Ltd 卡羅特(商業)有限公司 (“**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 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 “**Listing Business**”). 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.

On September 23, 2024, the Company issued a prospectus (the “**Prospectus**”) and launched a global offering of 129,864,500 shares at a price of HK\$5.78 per share (the “**Offer Price**”). The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since October 2, 2024. On October 30, 2024, the Company has completed the over-allotment option of 19,479,500 shares at the price of HK\$5.78 per Share.

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.

The financial statements have been approved for issue by the Board of Directors on March 26, 2025.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION (Continued)

### 1.2 Reorganization

#### (a) The Reorganization

Prior to the incorporation of the Company and the completion of the Reorganization as described below, the Listing Business was mainly carried out by Zhejiang Carote and its subsidiaries (collectively, the “**Operating Companies**”). Immediately prior to the Reorganization, Zhejiang Carote was owned by the Controlling Shareholders and Denk Trade Investment Ltd (“**Denk Trade**”) as to 99% and 1% respectively.

In preparing for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “**IPO**”), the Group underwent the Reorganization, pursuant to which the Operating Companies and Listing Business were transferred to the Company. The Reorganization mainly involved the following steps:

- (i) In February 2023, the Company was established under the laws of the Cayman Islands as an exempted company with limited liability with authorized share capital of 5,000,000 shares of par value of United States Dollars (“**USD**”) 0.01 each, of which 4,500,000 ordinary shares of the Company were issued to Yili Investment and 500,000 were issued to Carote CM Limited Partnership, which is wholly owned by 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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 BASIS OF PREPARATION

### (i) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) as issued by the Hong Kong Institute of Certified Public Accountants and requirements of the Hong Kong Companies Ordinance Cap. 622.

### (ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities that are measured at fair value.

### (iii) New or amended standard adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The adoption of these new standards and amendments did not have material impact on the Group’s financial position or operating result and did not require retrospective adjustment.

Standards and amendments		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current	January 1, 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	January 1, 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	January 1, 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024

The amendments and interpretation listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 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	Classification and Measurement of Financial Instruments	January 1, 2026
Amendments to HKFRS 9 and HKFRS 7	Contracts referencing nature – dependent electricity	January 1, 2026
Annual improvements project	Annual Improvements to HKFRS Accounting Standards – Volume 11	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 or revised standards, amendments and interpretations, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, these standards and amendments are not expected to have a material impact on the Group's financial performance and position, except for HKFRS 18, which may mainly impact the presentation of the Group's statement of profit or loss and the Group is still in the process of assessing the impact.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's risk management is predominantly controlled by the treasury department under policies approved by the Board of Directors of the Company (the "**Board**"). The Group's treasury department identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (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 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.

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, 2024, if RMB had strengthened/weakened by 5% against US\$ with all other variables held constant, the profit before income tax for the year would have been approximately RMB25,066,000 lower/higher(December 31, 2023: RMB6,408,000 lower/higher), 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

Except for cash and cash equivalents, restricted cash and time deposits (Note 21) and financial assets at fair value through profit or loss ("FVPL") (Note 20), the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk mainly arises from cash and cash equivalents and restricted cash with floating interest rates, the Group's short-term borrowing for each reporting period was at fixed rates, and the fair value interest-rate risk is insignificant. The interest rates and terms of repayments of borrowings are disclosed in Note 28. The Group did not use any interest rate swap contracts or other financial instruments to hedge against its interest rate risk for the reporting period.

As at December 31, 2024, if interest rates on cash and cash equivalents and restricted cash had been 10 basis points higher/lower with all variables held constant, the profit before income tax for the year would have been approximately RMB383,000 lower/higher (December 31, 2023: RMB236,000 lower/higher).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (a) Market risk (Continued)

##### (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, time deposits, financial assets at FVPL, trade receivables and other receivables. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

##### (i) Risk Management

To manage risk arising from cash and cash equivalents, restricted cash, time deposits and financial assets at FVPL, 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 and time deposits;
- trade receivables; and
- other receivables.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (b) Credit risk (Continued)

##### (ii) Impairment of financial assets (Continued)

###### *Cash and cash equivalents, restricted cash and time deposits*

Cash and cash equivalents, restricted cash and 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 and time deposits are also subject to the impairment requirements of HKFRS 9, while the identified impairment loss was immaterial.

###### *Trade receivables*

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on their credit risk characteristics for overall evaluation.

The expected loss rates are based on the payment profiles of sales over a period of at least 36 months before the balance sheet date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product (GDP) and Consumer Price Index (CPI) to be the most relevant factor, and accordingly adjusted the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at December 31, 2024 and 2023 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
<b>December 31, 2024</b>						
Expected loss rate	0.02%	1.51%	61.63%	100.00%	–	N/A
Gross carrying amount – trade receivables (RMB'000)	79,368	6,483	86	86	–	86,023
Loss allowance (RMB'000)	(12)	(98)	(53)	(86)	–	(249)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (b) Credit risk (Continued)

##### (ii) Impairment of financial assets (Continued)

###### Trade receivables (Continued)

	Within 3 months	Between 3 and 6 months	Between 6 and 9 months	Between 9 and 12 months	More than 1 year	Total
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)

The loss allowances for trade receivables as at December 31, 2024 and 2023 reconcile to the opening loss allowances as follows:

	Year ended December 31,	
	2024	2023
Opening loss allowance at January 1,	100	187
Credit losses allowance recognized/(reversed), net	149	(87)
Closing loss allowance at December 31,	249	100

###### Other receivables

The loss allowance for other receivables as at December 31, 2024 and 2023 reconciles to the opening loss allowance as follows:

	Year ended December 31,	
	2024 RMB'000	2023 RMB'000
Opening loss allowance at January 1,	14	201
Credit losses allowance recognized/(reversed), net	12	(187)
Closing loss allowance at December 31,	26	14

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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 December 31, 2024					
Trade and bills payables (Note 26)	397,020	–	–	397,020	397,020
Other payables and accruals (excluding payroll and welfare payables and other tax payables) (Note 27)	3,854	–	–	3,854	3,854
Lease liabilities (Note 16)	4,200	–	–	4,200	4,128
	405,074	–	–	405,074	405,002

	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 28)	5,111	–	–	5,111	5,004
Trade and bills payables (Note 26)	358,634	–	–	358,634	358,634
Other payables and accruals (excluding payroll and welfare payables and other tax payables) (Note 27)	3,939	–	–	3,939	3,939
Lease liabilities (Note 16)	2,919	2,100	–	5,019	4,767
	370,603	2,100	–	372,703	372,344

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, management of the Company considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amounts of dividends paid to equity holders, return capital to equity holders, issue new shares or repurchase the Company's shares. In the opinion of the management of the Company, the Group's capital risk is low. As a result, capital risk is not significant for the Group and measurement of capital management is not a tool currently used in the internal management reporting procedures of the Group.

### 3.3 Fair value estimation

#### (a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the statements of financial position. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of each of the reporting periods. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.3 Fair value estimation (Continued)

#### (a) Fair value hierarchy (Continued)

The following table presents the Group's assets and liabilities using fair value estimation as at December 31, 2024 and 2023:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At December 31, 2024				
Financial assets at fair value through profit or loss	–	–	36,243	36,243

#### (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, 2024.

The fair value of trade receivables, other receivables, time deposits, 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), and current borrowings approximated to their carrying amounts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.3 Fair value estimation (Continued)

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

	Financial assets at FVPL RMB'000
As at January 1, 2024	–
Additions	35,945
Fair value gains (Note 7)	298
As at December 31, 2024	36,243
Includes unrealised gains recognised in profit or loss attributable to balances held as at December 31, 2024	298
As at January 1, 2023	50,062
Additions	210,101
Disposals	(260,264)
Fair value gains (Note 7)	101
As at December 31, 2023	–
Includes unrealised gains recognised in profit or loss attributable to balances held as at December 31, 2023	–

Further details of financial assets at FVPL for the year ended December 31, 2024 have been presented in Note 20.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the years ended December 31, 2024 and 2023.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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, 2024

Description	Fair value RMB'000	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Wealth management products	36,243	Expected rate of return	3.31%-5.79%	The higher the expected rate of return, the higher the fair value

As at December 31, 2024, if the expected rate of return had been 50 basis points higher/lower, the fair value of financial assets at FVPL would have been approximately RMB180,000 higher/lower (December 31, 2023: nil).

## 4 CRITICAL ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will likely differ from 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 might have a financial impact on the entity and that are believed to be reasonable under the circumstances.

#### (a) Estimation of trade and other receivables impairment

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) Recognition of share-based payment expenses

As disclosed in Note 24, 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 CRITICAL ESTIMATES AND JUDGEMENTS (Continued)

### (c) Recognition of deferred tax asset

The Group is subject to income taxes in a few jurisdictions. Judgement is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the periods in which such determinations are made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized as management considers that it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation in the periods in which such estimate is changed.

## 5 SEGMENT INFORMATION

### (a) Description of segments and principal activities

For management purposes, the Group is not organized into business units based on their products and only has one reportable segment. The executive directors of the Company are identified as the chief operating decision maker who monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

#### Geographical information of revenue

The amount of the Group's revenue from external customers broken down by location of the customers is shown in the table below:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
America	1,377,318	833,906
Mainland China	308,745	327,510
Western Europe	157,172	168,420
Japan	93,704	82,802
Southeast Asia	56,942	88,919
Others	79,370	81,525
	2,073,251	1,583,082



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5 SEGMENT INFORMATION (Continued)

### (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,	
	2024 RMB'000	2023 RMB'000
– Online sales, business through third-party e-commerce platforms to individuals	1,773,762	1,362,531
– Original design manufacturer business	212,639	203,209
– Others	86,850	17,342
	<b>2,073,251</b>	<b>1,583,082</b>

### (c) Revenue from major customers

During the years ended December 31, 2024 and 2023, none of the customers individually contributed over 10% of the total revenue of the Group.

### (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5 SEGMENT INFORMATION (Continued)

### (d) Revenue recognition (Continued)

#### Sales of products (Continued)

If the contract for the sale of goods provides customers with rights of return, it gives rise to variable consideration. For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

## 6 OTHER INCOME

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Government grants (i)	31,763	3,115
Others	380	79
	<b>32,143</b>	<b>3,194</b>

- (i) 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 – NET

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Net foreign exchange gains	9,555	15,213
Net fair value gains on financial assets at fair value through profit or loss	298	101
Net loss on disposal of property, plant and equipment	(3)	–
Net gain on disposal of a non-wholly owned subsidiary	–	1
Others	384	185
	<b>10,234</b>	<b>15,500</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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,	
	2024 RMB'000	2023 RMB'000
Cost of inventories sold	882,228	741,915
Raw materials and consumables used	39,960	32,593
Freight and storage expenses	350,526	268,494
Commission to e-commerce platforms	269,352	167,160
Marketing and advertising expenses	84,149	67,559
Employee benefit expenses (Note 9)	35,463	27,323
Listing expenses	26,955	6,049
Legal and professional fees	4,319	4,393
Depreciation of right-of-use assets (Note 16)	3,227	1,684
Depreciation of property, plant and equipment (Note 15)	3,029	2,859
Auditors' remuneration – Audit services	2,170	40
Office expenses	1,737	1,281
Short-term leases expense (Note 16)	290	129
Others	13,705	9,383
	<b>1,717,110</b>	<b>1,330,862</b>

## 9 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31,	
	2024 RMB'000	2023 RMB'000
Salaries and wages	22,680	16,147
Discretionary bonuses	6,159	2,408
Pension obligations	1,912	2,422
Housing funds, medical insurances and other social insurances	2,030	4,089
Share-based payment expenses (Note 24)	2,180	1,598
Other employee benefits	502	659
	<b>35,463</b>	<b>27,323</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 9 EMPLOYEE BENEFIT EXPENSES (Continued)

### (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 year ended December 31, 2024 to offset the Group's contribution to the abovementioned retirement benefit schemes.

### (ii) Other employee benefits

Other employee benefits mainly include meal, traveling and other allowances.

### (iii) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended December 31, 2024 include 2 (2023: 0) director, whose emoluments is disclosed in the Note 34. The emoluments payable to the 3 (2023: 5) individuals for the years ended December 31, 2024 and 2023 are as follows:

	Year ended December 31,	
	2024 RMB'000	2023 RMB'000
Salaries and wages	540	1,278
Discretionary bonuses	880	1,700
Pension obligations	19	35
Housing funds, medical insurances and other social insurances	20	37
Share-based payment expenses	1,771	1,598
	3,230	4,648

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 9 EMPLOYEE BENEFIT EXPENSES (Continued)

### (iii) Five highest paid individuals (Continued)

The emoluments of those individuals fell within the following bands:

	Year ended December 31,	
	2024	2023
Emolument bands (in HKD)		
Nil – 1,000,000	1	2
1,000,001 – 1,500,000	2	3
	3	5

## 10 FINANCE INCOME, NET

	Year ended December 31,	
	2024 RMB'000	2023 RMB'000
<b>Finance income:</b>		
Interest income on cash at banks	7,799	–
Interest income on time deposits	11,361	7,447
<b>Finance income</b>	<b>19,160</b>	<b>7,447</b>
<b>Finance costs:</b>		
Interest expenses on borrowings	(79)	(168)
Interest expenses on lease liabilities (Note 16)	(179)	(129)
Net exchange losses on foreign currency borrowings	–	(25)
	(258)	(322)
<b>Finance income, net</b>	<b>18,902</b>	<b>7,125</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 11 SUBSIDIARIES

The group's principal subsidiaries at December 31, 2024 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business of each entity.

Name of entity	Place and date of incorporation/ establishment	Principal activities and place of operation	Registered capital	Ownership interest held by the group As at December 31,		Ownership interest held by non- controlling interests As at December 31,	
				2024	2023	2024	2023
Directly held:							
Carote Group	Hong Kong/ March 7, 2023	Investment holding, in Hong Kong	USD100,000	100%	100%	–	–
Indirectly held:							
Zhejiang Carote <sup>#</sup>	The PRC/ April 28, 2007	Procurement and sales of kitchenware, in the PRC	RMB20,282,929	100%	100%	–	–
Hangzhou Carote Trading Co., Ltd 杭州卡羅特商貿 有限公司 <sup>#</sup>	The PRC/ January 30, 2019	Procurement and sales of kitchenware, in the PRC	RMB5,000,000	100%	100%	–	–
Carote Global Limited ("Carote Global")	Hong Kong/ November 30, 2020	Procurement and sales of kitchenware, in Hong Kong	USD100,000	100%	100%	–	–
Carote Kitchenware Co., Ltd カローテ株式會社	Japan/ June 25, 2020	Procurement and sales of kitchenware, in Japan	JPY3,000,000	100%	100%	–	–
Carote International Limited 卡羅特國際有限公司	Hong Kong/ March 25, 2015	Procurement and sales of kitchenware, in Hong Kong	HKD10,000	100%	100%	–	–
Carote (Philippines) Kitchenware Ltd Corp.	Philippines/ August 16, 2021	Procurement and sales of kitchenware, in Philippines	PHP10,000,000	98%	98%	2%	2%
Carote Kitchenware (Singapore) Pte. Ltd.	Singapore/ September 22, 2018	Procurement and sales of kitchenware, in Singapore	SGD490,000	100%	100%	–	–
Carote USA LLC ("Carote USA")	USA/ December 2, 2019	Procurement and sales of kitchenware, in the USA	–	100%	100%	–	–
Carote Kitchenware India Private Limited	India/ August 21, 2019	Procurement and sales of kitchenware, in India	RE1,000,000	100%	100%	–	–
PT Carote Kitchenware Indonesia	Indonesia/ November 14, 2019	Procurement and sales of kitchenware, in Indonesia	RP6,000,000,000	100%	100%	–	–
Carote (Malaysia) Sdn. Bhd.	Malaysia/ November 11, 2019	Procurement and sales of kitchenware, in Malaysia	MYR1,000	100%	100%	–	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 12 INCOME TAX EXPENSES

	Year ended December 31,	
	2024 RMB'000	2023 RMB'000
Current tax on profits for the year	63,817	45,475
Deferred income tax (Note 29)	(2,518)	(3,636)
<b>Income tax expense</b>	<b>61,299</b>	<b>41,839</b>

Taxes on profits assessable have been calculated at the rates of tax prevailing in the jurisdictions in which the entity operates.

### (a) Cayman Islands income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act of the Cayman Islands and is not subject to the Cayman Islands income tax pursuant to the current laws of the Cayman Islands.

### (b) Hong Kong profits tax

The Company's subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 8.25% (2023: 8.25%) on assessable profits up to HK\$2,000,000 and 16.5% (2023: 16.5%) on any part of assessable profits over HK\$2,000,000 for the year ended December 31, 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% (2023: 21% and 8.84%) respectively for the year ended December 31, 2024.

### (d) Japan income tax

Enterprises incorporated in Japan are subject to income tax rate at the state level of 23.2% (2023: 23.2%) during the year ended December 31, 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% (2023: 17%) on the assessable profits of the subsidiaries in accordance with Singapore tax laws and regulations for the year ended December 31, 2024.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 12 INCOME TAX EXPENSES(Continued)

### (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% (2023: 15%) during the year ended December 31, 2024.

During the years ended December 31, 2024 and 2023, an additional 100% of qualified research and development expenses incurred was allowed to be deducted from taxable income under the Mainland China Income Tax Law and its relevant regulations.

### (g) PRC withholding income tax

According to the CIT Law, starting from January 1, 2008, a 10% withholding tax will be levied on the immediate holding companies established outside the PRC when their PRC subsidiaries declare dividends out of their profits earned after January 1, 2008. A lower withholding tax rate of 5% may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding companies, including those incorporated in Hong Kong.

During the years ended December 31, 2024 and 2023, no dividend withholding tax for PRC companies was provided as the directors have confirmed that the Group does not expect the PRC subsidiaries to distribute the retained earnings as at December 31, 2024 and 2023 in the foreseeable future. The deferred income tax liabilities related to unremitted earnings totaled RMB416,836,000 and RMB161,086,000 have not been recognized as at December 31, 2024 and 2023.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 12 INCOME TAX EXPENSES(Continued)

- (h) The difference between the actual income tax expense charged to the consolidated statement 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,	
	2024 RMB'000	2023 RMB'000
Profit before taxation	417,259	278,313
Tax calculated at statutory tax rates applicable to each group entity	103,071	66,300
Preferential tax rate	(40,907)	(23,839)
Expenses not deductible for tax purpose	697	172
Super deduction for research and development expenses	(3,102)	(2,691)
Tax losses for which no deferred income tax asset was recognized	2,223	1,996
Previously unrecognized tax losses now recognized or recouped to reduce current tax expense	(683)	(99)
Income tax expense	61,299	41,839

## 13 DIVIDENDS

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.

A proposed final dividend in respect of the year ended December 31, 2024 of HKD0.1408 per ordinary share, amounting to a total dividend of approximately RMB72,150,000 is to be presented for approval by the shareholders at the annual general meeting of the Company on May 30, 2025. These financial statements do not reflect this as dividend payable.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 14 EARNINGS PER SHARE

### (a) Basic earnings per share

Basic earnings per share for the years ended December 31, 2024 and 2023 are calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the years ended December 31, 2024 and 2023.

	Year ended December 31,	
	2024 RMB'000	2023 RMB'000
Profit attributable to the ordinary equity holders of the Company (RMB'000)	355,994	237,132
Weighted average number of ordinary shares in issue	439,700,343	404,058,600
Basic earnings per share (expressed in RMB per share)	0.81	0.59

### (b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

During the years ended December 31, 2024 and 2023, 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, the condition has not been met, thus the potential issuable shares were not included in the calculation of diluted earnings per share during the year reported. Accordingly, diluted earnings per share is equal to basic earnings per share for the year ended December 31, 2023. As of December 31, 2024, the condition has met, the calculation of diluted earnings per share is shown as below:

	Year ended December 31,	
	2024 RMB'000	2023 RMB'000
Profit attributable to the ordinary equity holders of the Company (RMB'000)	355,994	237,132
Weighted average number of ordinary shares in issue	439,700,343	404,058,600
Adjustments for share awards	558,778	–
Weighted average number of ordinary shares for diluted earnings per share	440,259,121	404,058,600
Diluted earnings per share (expressed in RMB per share)	0.81	0.59

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 15 PROPERTY, PLANT AND EQUIPMENT

The detailed information of property, plant and equipment 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
<b>As at January 1, 2023</b>						
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
<b>Year ended December 31, 2023</b>						
Opening net book amount	4,237	17	5,516	138	105,397	115,305
Additions	–	109	3,733	64	–	3,906
Disposals (Note 23(b))	–	–	–	–	(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
<b>As at December 31, 2023</b>						
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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 15 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
<b>Year ended December 31, 2024</b>						
Opening net book amount	3,935	111	6,744	165	–	10,955
Additions	–	–	288	–	63,183	63,471
Disposals	–	–	(209)	–	–	(209)
Depreciation charge (Note 8)	(291)	(23)	(2,697)	(18)	–	(3,029)
Closing net book amount	3,644	88	4,126	147	63,183	71,188
<b>As at December 31, 2024</b>						
Cost	6,130	251	10,796	370	63,183	80,730
Accumulated depreciation	(2,486)	(163)	(6,670)	(223)	–	(9,542)
Net book amount	3,644	88	4,126	147	63,183	71,188

As at December 31, 2024, the Group pledged buildings with carrying amount of approximately nil (December 31, 2023: RMB3,935,000) for the bank borrowings of the Group (Note 28).

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

	<b>Year ended December 31,</b>	
	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
Administrative expenses	3,013	2,844
Research and development expenses	16	15
	<b>3,029</b>	2,859

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 15 PROPERTY, PLANT AND EQUIPMENT (Continued)

- (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.

## 16 LEASES

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

	As at December 31,	
	2024 RMB'000	2023 RMB'000
<b>Right-of-use assets</b>		
Warehouse	3,678	5,684
Office	–	1,221
	<b>3,678</b>	6,905
<b>Lease liabilities</b>		
Current	4,128	2,739
Non-current	–	2,028
	<b>4,128</b>	4,767

Additions to right-of-use assets during the year ended December 31, 2024 was nil (December 31, 2023: RMB6,147,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 16 LEASES (Continued)

### (ii) Amounts recognized in the consolidated statement of comprehensive income

	Year ended December 31,	
	2024 RMB'000	2023 RMB'000
Depreciation charge of right-of-use assets (Note 8)		
Warehouse	2,006	363
Office	1,221	1,321
	<b>3,227</b>	1,684
Interest expenses on lease liabilities (Note 10)	179	129
Expense relating to short-term leases (included in cost of sales and administrative expenses) (Note 8)	290	129
	<b>3,696</b>	1,942

The total cash outflow for leases for the year ended December 31, 2024 was approximately RMB1,108,000 (December 31, 2023: RMB3,698,000).

## 17 INVENTORIES

	As at December 31,	
	2024 RMB'000	2023 RMB'000
Finished goods	152,554	107,335
Raw materials and parts	2,295	947
Less: provision for inventories	—	—
	<b>154,849</b>	108,282

### (i) Amounts recognised in profit or loss

Inventories recognized as an expense during the year ended December 31, 2024 amounted to RMB887,328,000 (December 31, 2023: RMB774,508,000). These were included in cost of sales.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 18 TRADE RECEIVABLES

	As at December 31,	
	2024 RMB'000	2023 RMB'000
Trade receivables	86,023	73,954
Less: allowance for impairment (Note 3.1)	(249)	(100)
Total	85,774	73,854

### (i) Aging analysis of trade receivables

As at December 31, 2024 and 2023, the aging analysis of trade receivables based on invoice date, is as follows:

	As at December 31,	
	2024 RMB'000	2023 RMB'000
Less than 3 months	79,368	73,863
3 months to 6 months	6,483	—
6 months to 9 months	86	—
9 months to 12 months	86	—
More than 1 year	—	91
	86,023	73,954

### (ii) Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 3 months or a normal operating cycle and therefore all classified as current. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore it measures them subsequently at amortised cost using the effective interest method.

### (iii) Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be a reasonable approximation of their fair value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 18 TRADE RECEIVABLES (Continued)

### (iv) Impairment and risk exposure

#### Trade receivables

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Note 3.1(b) provides details about the calculation of the allowance.

As at December 31, 2024 and 2023, the Group had no individually impaired trade receivables.

## 19 PREPAYMENTS, OTHER RECEIVABLES, AND OTHER CURRENT ASSETS

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Other receivables		
– Export tax refundable	11,256	11,939
– Refundable deposits	7,007	9,529
– Due from related parties (Note 33)	350	357
– Others	444	236
	19,057	22,061
Less: provision for impairment (Note 3.1)	(26)	(14)
	19,031	22,047
Prepaid listing expenses	–	1,987
Input VAT to be deducted	9,523	–
Total	28,554	24,034



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 19 PREPAYMENTS, OTHER RECEIVABLES, AND OTHER CURRENT ASSETS

(Continued)

### (i) Impairment and risk exposure

For other receivables, management performs periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences incorporating forward-looking information. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Expected credit loss ("ECL") model for other receivables 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 19 PREPAYMENTS, OTHER RECEIVABLES, AND OTHER CURRENT ASSETS

(Continued)

### (i) Impairment and risk exposure (Continued)

The Group considers counter-parties as follows:

- 'Stage 1' – Counter-parties who have a low risk of default and a strong capacity to meet contractual cash flows;
- 'Stage 2' – Counter-parties whose repayments are past due but with reasonable expectation of recovery; and
- 'Stage 3' – Counter-parties whose repayments are past due and with low reasonable expectation of recovery.

The following tables summarized the loss allowance for other receivables as analyzed by different stages:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>As at December 31, 2024</b>				
Gross carrying amount (RMB'000)	19,057	–	–	19,057
Loss allowance (RMB'000)	(26)	–	–	(26)
Expected credit loss rate	0.14%	–	–	N/A
<b>As at December 31, 2023</b>				
Gross carrying amount (RMB'000)	22,061	–	–	22,061
Loss allowance (RMB'000)	(14)	–	–	(14)
Expected credit loss rate	0.06%	–	–	N/A

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

### (a) Classification of financial assets at FVPL

The Group classifies the followings as financial assets at FVPL:

- debt investments that do not qualify for measurement at either amortized cost or FVOCI;
- equity investments that are held for trading; and
- equity investments for which the Group has not elected to recognize fair value gains and losses through OCI.

The Group's financial assets measured at FVPL include the following:

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Investments in wealth management products	36,243	—

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 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 statement of profit or loss:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Fair value gains on financial assets at FVPL recognized in		
other gains (Note 7)		
– realized	—	101
– unrealized	298	—
	298	101

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 21 CASH AND BANK BALANCES

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Cash and bank balances	1,332,385	405,162
Less: restricted cash (ii)	(5,316)	–
Less: time deposits (iii)	(949,737)	(169,098)
Cash and cash equivalents	377,332	236,064

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

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
– USD	1,076,974	124,804
– RMB	237,105	273,093
– JPY	8,091	2,955
– IDR	3,446	1,277
– HKD	2,274	51
– INR	1,436	1,182
– EUR	1,398	216
– PHP	797	1,229
– GBP	756	115
– Others	108	240
	1,332,385	405,162

(ii) The Group's restricted cash comprised:

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Bank balances		
– Pledged for bank acceptance notes issuance (Note 26)	5,316	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 21 CASH AND BANK BALANCES (Continued)

- (iii) The restricted short-term time deposits of RMB21,788,000 and long-term time deposits of RMB183,727,000 as at December 31, 2024(as at December 31, 2023: RMB88,952,000 and RMB80,146,000 respectively) were all pledged to the bank for issuance of bank acceptance notes (Note 26).
- (iv) Accounting policies of cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Time deposits with initial terms of over one year were included in the long-term time deposits on the consolidated balance sheet and with initial terms of over three months but under one year were included in the short-term time deposits on the consolidated balance sheet.

## 22 SHARE CAPITAL, SHARES HELD FOR SHARES AWARD SCHEME AND SHARE PREMIUM

	Number of shares	Nominal value of shares USD'000
<b>Authorized</b>		
As at February 3, 2023 (date of incorporation) (a)	5,000,000	50,000
Addition (b)	20,000,000	200,000
As at December 31, 2023	<b>25,000,000</b>	<b>250,000</b>
Share subdivision (d)	<b>475,000,000</b>	–
Addition (f)	<b>1,500,000,000</b>	<b>750,000</b>
As at December 31, 2024	<b>2,000,000,000</b>	<b>1,000,000</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 22 SHARE CAPITAL, SHARES HELD FOR SHARES AWARD SCHEME AND SHARE PREMIUM (Continued)

	Number of shares	Share capital USD'000	Share capital RMB'000	Share premium RMB'000	Shares held for shares award scheme RMB'000
<b>Issued</b>					
As at February 3, 2023 (date of incorporation)	–	–	–	–	–
Issuance of ordinary shares in relation to the Reorganization of the Group (c)	20,282,930	203	1,460	137,208	(6)
As at December 31, 2023	20,282,930	203	1,460	137,208	(6)
As at January 1, 2024	<b>20,282,930</b>	<b>203</b>	<b>1,460</b>	<b>137,208</b>	<b>(6)</b>
Share subdivision (d)	<b>385,375,670</b>	–	–	–	–
Dividend distribution to the shareholders (e)	–	–	–	<b>(100,000)</b>	–
Issuance of shares upon global offering and over-allotment option (g)	<b>149,344,000</b>	<b>75</b>	<b>525</b>	<b>753,502</b>	–
As at December 31, 2024	<b>555,002,600</b>	<b>278</b>	<b>1,985</b>	<b>790,710</b>	<b>(6)</b>

(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 USD\$50,000 divided into 5,000,000 shares with par value USD\$0.01. 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 USD\$0.01.

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 USD\$0.01.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 22 SHARE CAPITAL, SHARES HELD FOR SHARES AWARD SCHEME AND SHARE PREMIUM (Continued)

- (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 23).

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 29 February 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 USD\$10,000,000 (equivalent to approximately RMB72,300,000) and USD\$3,836,371 (equivalent to approximately RMB27,700,000) were paid in cash in April and May 2024, respectively.
- (f) On September 23, 2024, pursuant to the resolution of the shareholders' meeting of the Company, the authorized shares of the Company increased by 1,500,000,000 shares from 500,000,000 shares to 2,000,000,000 shares with par value USD\$0.0005.
- (g) On October 2, 2024, the Company has completed a global offering of 129,864,500 Shares of par value of US\$0.0005 each at the price of HK\$5.78 per Share. On October 30, 2024, the Company has completed the over-allotment option of 19,479,500 Shares of par value of US\$0.0005 each at the price of HK\$5.78 per Share.

Share issuance costs related to the global offering and the over-allotment option mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other costs. Incremental costs that are directly attributable to the issue of the new shares amounting to approximately RMB26,317,900 was treated as a deduction against the share premium arising from the issuance.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 23 RESERVES

	Note	Capital reserve RMB'000	Share-based payment reserves RMB'000	Statutory surplus reserve RMB'000	Foreign currency translation reserve RMB'000	Total RMB'000
<b>As at January 1, 2023</b>		30,000	–	15,000	1,636	46,636
Cash contributions from the shareholders (a)		687	–	–	–	687
Acquisition of non-controlling shareholder's equity		(980)	–	–	–	(980)
Deemed distribution to shareholders pursuant to the disposal of assets (b)		(89,360)	–	–	–	(89,360)
Deemed distribution to shareholders pursuant to the Reorganization	22	(67,731)	–	–	–	(67,731)
Issuance of ordinary share in relation to the Reorganization of the Group	22	(137,982)	–	–	–	(137,982)
Share-based payment	24	–	1,598	–	–	1,598
Other currency translation differences		–	–	–	3,017	3,017
<b>As at December 31, 2023</b>		(265,366)	1,598	15,000	4,653	(244,115)
<b>As at January 1, 2024</b>		<b>(265,366)</b>	<b>1,598</b>	<b>15,000</b>	<b>4,653</b>	<b>(244,115)</b>
Share-based payment	24	–	2,180	–	–	2,180
Other currency translation differences		–	–	–	20,895	20,895
<b>As at December 31, 2024</b>		<b>(265,366)</b>	<b>3,778</b>	<b>15,000</b>	<b>25,548</b>	<b>(221,040)</b>

- (a) 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 23 RESERVES (Continued)

- (b) 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 Metal Products Co., Ltd. 浙江樂昇恩金屬製品有限公司 ("Zhejiang Leshengen") (formerly known as Zhejiang Leshengen Trading Co., Ltd), both companies were directly wholly owned by the Controlling Shareholders.

Pursuant to the agreement entered into between Zhejiang Carote and Zhejiang Leshengen dated February 3, 2023, Zhejiang Carote transferred 100% equity of its then subsidiary, Zhejiang Gangle Kitchenware Co., Ltd 浙江港樂廚具有限公司 ("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.

## 24 SHARE-BASED PAYMENT

Share-based payment expenses were recognized in profit or loss for the years ended December 31, 2024 and 2023 as follows:

	Year ended December 31,	
	2024 RMB'000	2023 RMB'000
Selling expenses	1,635	1,198
Administrative expenses	545	400
	<b>2,180</b>	<b>1,598</b>

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 24 SHARE-BASED PAYMENT (Continued)

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 Guodong 章國棟 (“**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. The estimated amount of share-based payment expenses is amortised over the vesting period of the shares grant.

Set out below are the movement in the number of awarded restricted shares under the Share Incentive Plans:

	Number of restricted shares	Weighted average grant date fair value RMB
As at January 1, 2023	–	N/A
Granted	80,000	103.15
As at December 31, 2023	<b>80,000</b>	<b>103.15</b>
Share subdivision ( <i>Note 22 (d)</i> )	<b>1,520,000</b>	–
As at December 31, 2024	<b>1,600,000</b>	<b>5.16</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 25 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
<b>Financial assets</b>		
Financial assets at amortized cost:		
– Trade receivables (Note 18)	85,774	73,854
– Other receivables (Note 19)	19,031	22,047
– Cash and cash equivalents (Note 21)	377,332	236,064
– Restricted cash (Note 21)	5,316	–
– Time deposits (Note 21)	949,737	169,098
– Financial assets at FVPL (Note 20)	36,243	–
	<b>1,473,433</b>	501,063
<b>Financial liabilities</b>		
Liabilities at amortized cost:		
– Trade and bills payables (Note 26)	397,020	358,634
– Other payables and accruals (excluding payroll and welfare payables, other taxes payables) (Note 27)	3,854	3,939
– Borrowings (Note 28)	–	5,004
– Lease liabilities (Note 16)	4,128	4,767
	<b>405,002</b>	372,344

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.

## 26 TRADE AND BILLS PAYABLES

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Trade payables	147,230	195,464
Bills payables	249,790	163,170
	<b>397,020</b>	358,634

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 26 TRADE AND BILLS PAYABLES (Continued)

The bills payables have maturity terms ranging from 6 to 12 months. And the issuance of these bills payables are secured by certain time deposits (Note 21).

As at December 31, 2024 and 2023, the aging analysis of the trade and bills payables based on invoice date was as follows:

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Within 3 months	212,389	357,648
Between 3 months and 1 year	184,263	621
Over one year	368	365
	<b>397,020</b>	<b>358,634</b>

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

## 27 OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Other taxes payables	17,450	4,691
Payroll and welfare payables	5,983	2,576
Accrued expenses	3,372	3,470
Others	482	469
	<b>27,287</b>	<b>11,206</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 28 BORROWINGS

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
<b>Included in current liabilities:</b>		
– Short-term bank borrowings, secured	–	5,004

Analysis of the carrying amounts of the Group's borrowings by currency was as follows:

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
RMB	–	5,004

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, at a fixed interest rate of 3.1% per annum (Note 15).

## 29 DEFERRED INCOME TAX

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Deferred income tax assets:		
– to be recovered within 12 months	9,632	7,295
– to be recovered after more than 12 months	–	303
Total deferred tax assets	9,632	7,598
Net-off with deferred tax liabilities	(552)	(733)
Net deferred income tax assets	9,080	6,865
Deferred income tax liabilities:		
– to be settled within 12 months	484	484
– to be settled after more than 12 months	68	552
Total deferred tax liabilities	552	1,036
Net-off with deferred tax assets	(552)	(733)
Net deferred income tax liabilities	–	303

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 29 DEFERRED INCOME TAX (Continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

### Deferred income tax assets:

	Provision for impairment RMB'000	Lease liabilities RMB'000	Tax losses RMB'000	Unrealized internal transaction gains RMB'000	Total RMB'000
As at January 1, 2023	59	329	1,189	1,892	3,469
(Charged)/credited to profit or loss	(41)	386	(1,012)	4,973	4,306
Currency translation differences	–	–	(177)	–	(177)
As at December 31, 2023	18	715	–	6,865	7,598
Credited/(Charged) to profit or loss	24	(96)	2,273	(167)	2,034
As at December 31, 2024	42	619	2,273	6,698	9,632

### Deferred income tax liabilities:

	Right-of-use assets RMB'000
As at January 1, 2023	366
Credited to profit or loss	670
As at December 31, 2023	1,036
Charged to profit or loss	(484)
As at December 31, 2024	552

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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 December 31,	
	2024 RMB'000	2023 RMB'000
Tax losses expiring between 1–2 years	2,503	–
Tax losses expiring between 2–3 years	812	2,503
Tax losses expiring between 3–4 years	2,776	812
Tax losses expiring over 4 years	19,397	11,484
	<b>25,488</b>	<b>14,799</b>

## 30 CASH FLOW INFORMATION

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

	Year ended December 31,	
	2024 RMB'000	2023 RMB'000
<b>Profit before income tax</b>	<b>417,259</b>	<b>278,313</b>
Adjustments for:		
Depreciation of property, plant, and equipment and right-of-use assets	6,256	4,543
Losses on disposal of property, plant and equipment (Note 7)	3	–
Net gain on disposal of a non-wholly owned subsidiary (Note 7)	–	(1)
Net fair value gains on financial assets at FVPL (Note 7)	(298)	(101)
Finance income – net (Note 10)	(18,902)	(7,125)
Net impairment losses/(reversal) on financial assets	161	(274)
Share-based payment expenses (Note 24)	2,180	1,598
Net exchange differences	248	637
<b>Operating profit before changes in working capital</b>	<b>406,907</b>	<b>277,590</b>
<b>Changes in working capital:</b>		
Increase in inventories	(46,567)	(66,111)
Increase in trade receivables	(12,059)	(18,688)
Decrease in other operating assets	2,646	651
Increase in trade and bills payables	38,386	82,402
Increase/(decrease) in other operating liabilities	18,137	(2,728)
(Increase)/decrease in restricted cash	(5,316)	1,140
<b>Net cash generated from operations</b>	<b>402,134</b>	<b>274,256</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 30 CASH FLOW INFORMATION (Continued)

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

In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
<b>Net book amount</b>	<b>121</b>	161,402
Deemed distribution to shareholders pursuant to the disposal of assets	–	(161,402)
Losses on disposal of property, plant and equipment	<b>(3)</b>	–
<b>Proceeds from disposals of property, plant and equipment</b>	<b>118</b>	–

### (b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Cash and cash equivalents (Note 21)	<b>377,332</b>	236,064
Borrowings (Note 28)	–	(5,004)
Lease liabilities (Note 16)	<b>(4,128)</b>	(4,767)
<b>Net debt</b>	<b>373,204</b>	226,293



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 30 CASH FLOW INFORMATION (Continued)

### (b) Net debt reconciliation (Continued)

	<b>Borrowings</b> RMB'000	<b>Lease liabilities</b> RMB'000	<b>Total</b> RMB'000
Net debt as at January 1, 2023	(56,529)	(2,189)	(58,718)
Cash flows from financing activities	14,395	3,698	18,093
Acquisitions	–	(6,147)	(6,147)
Deemed distribution to shareholders pursuant to the disposal of assets	37,323	–	37,323
Interest accrued	(168)	(129)	(297)
Foreign exchange differences	(25)	–	(25)
Net debt as at December 31, 2023	(5,004)	(4,767)	(9,771)
Cash flows from financing activities	<b>5,083</b>	<b>1,108</b>	<b>6,191</b>
Acquisitions	<b>–</b>	<b>(290)</b>	<b>(290)</b>
Interest accrued	<b>(79)</b>	<b>(179)</b>	<b>(258)</b>
Net debt as at December 31, 2024	<b>–</b>	<b>(4,128)</b>	<b>(4,128)</b>

### (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.
- additions to right-of-use assets in respect of warehouse.

## 31 COMMITMENTS

### Capital commitments

	<b>As at December 31,</b>	
	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
Contracted but not provided for		
– purchase of property, plant and equipment	<b>1,698</b>	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 32 CONTINGENCIES

As at December 31, 2024, the Group had no material contingent liabilities.

## 33 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:

Name of related parties	Relationship with the Company
Mr. Zhang	the Controlling Shareholder
Ms. Lyu	the Controlling Shareholder
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 Zhifei 李志飛 (“Mr. Li”)	A close family member of Ms. Lyu
Zhejiang Xinjie Industry and Trade Co., Ltd. 浙江信傑工貿有限公司 (“Xinjie”)	Controlled by Mr. Li
Yongkang Yangxi Color Printing Packaging Factory 永康市楊溪彩印包裝廠 (“Yangxi”)	Controlled by Ms. Lyu
Zhejiang Taige Electric Co., Ltd. 浙江泰戈電器有限公司 (“Zhejiang Taige Electric”) (Deregistered in June 2024)	Associate
Zhejiang Leshengen	Controlled by the Controlling Shareholder of the Company
Foshan Kemo Trading Co., Ltd 佛山柯莫貿易有限公司 (“Foshan Kemo”)	Significant influenced by Mr. Zhang

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 33 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 22(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 23(b)).

### (d) Acquisition of non-controlling interests of subsidiaries

In March 2023, Carote Global acquired 20% shareholding of Carote Kitchenware (Australia) PTY Ltd ("**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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 33 RELATED PARTY TRANSACTIONS (Continued)

### (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 34, was as follows:

	Year ended December 31,	
	2024 RMB'000	2023 RMB'000
Basic salaries	1,572	1,058
Discretionary bonuses	960	1,080
Pension obligations	31	38
Housing funds, medical insurances and other social insurances	33	44
Share-based payment expenses	1,226	899
	<b>3,822</b>	<b>3,119</b>

### (f) Transactions with related parties

Related party transactions of the Group are listed as follows:

	Year ended December 31,	
	2024 RMB'000	2023 RMB'000
<b>Purchases of raw materials</b>		
Yangxi	—	1,033
<b>Purchases of services</b>		
Foshan Kemo	—	579
<b>Addition to right-of-use assets resulted from lease of warehouse</b>		
Zhejiang Lesheng	—	6,019
<b>Payment of lease liabilities</b>		
Zhejiang Lesheng	—	2,100
<b>Interest expenses of lease liabilities</b>		
Zhejiang Lesheng	164	46

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 33 RELATED PARTY TRANSACTIONS (Continued)

### (f) Transactions with related parties (Continued)

	Year ended December 31,	
	2024 RMB'000	2023 RMB'000
<b>Repayment of loans to a related party</b>		
Zhejiang Taige Electric	7	—
Shijimei	—	4,000
Ms. Lyu	—	1,909
	<b>7</b>	<b>5,909</b>
<b>Proceeds from a related party</b>		
Mr. Li and Xinjie	—	1,000

### (g) Balances with related parties

	As at December 31,	
	2024 RMB'000	2023 RMB'000
<b>Other receivables (trade in nature)</b>		
Zhejiang Lesheng (i)	350	350
<b>Other receivables (non-trade in nature)</b>		
Zhejiang Taige Electric	—	7
Less: allowance for credit losses	(1)	(1)
	<b>349</b>	<b>356</b>

(i) As at December 31, 2024 and 2023, the amount of other receivables was a security deposit for lease of warehouse.

	As at December 31,	
	2024 RMB'000	2023 RMB'000
<b>Lease liabilities (trade in nature)</b>		
Zhejiang Lesheng	4,128	3,964

As at December 31, 2024 and 2023, the receivables and payables with related parties were interest-free, unsecured and payable on demand.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 34 BENEFITS AND INTERESTS OF DIRECTORS

### (a) Directors' emoluments

The remuneration of directors is set out below:

Name	Fees RMB'000	Salaries and wages RMB'000	Dis-cretionary bonuses RMB'000	Share award scheme RMB'000	Contribution to pension scheme RMB'000	Housing funds, medical insurances and other social insurances RMB'000	Total RMB'000
For the year ended December 31, 2024:							
<i>Executive directors:</i>							
Mr. Zhang	-	720	-	-	6	7	733
Ms. Lyu	-	240	-	-	6	7	253
Mr. Xia Chenhao 夏宸顥 ("Mr. Xia")	-	252	300	409	6	7	974
	-	1,212	300	409	18	21	1,960
<i>Non-Executive directors:</i>							
Ms. Yeung Shuet Fan Pamela 楊雪芬 ("Ms. Yeung")	55	-	-	-	-	-	55
Dr. Chan Tin Wai David 陳天衛 ("Dr. Chan")	55	-	-	-	-	-	55
Mr. Shi Zhoufeng 施周峰 ("Mr. Shi")	55	-	-	-	-	-	55
	165	-	-	-	-	-	165
For the year ended December 31, 2023:							
<i>Executive directors:</i>							
Mr. Zhang	-	200	-	-	7	8	215
Ms. Lyu	-	120	-	-	7	9	136
	-	320	-	-	14	17	351

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 34 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

### (a) Directors' emoluments (Continued)

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, 2024 and 2023, and the Group paid emoluments to them in their capacity as the directors or supervisor before their appointment as executive directors of the Company.

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

Ms. Yeung, Dr. Chan and Mr. Shi have been appointed as a non-executive director from September 23, 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, 2024 and 2023.

### (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, 2024 and 2023.

### (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, 2024 and 2023.

### (e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 33, 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, 2024 and 2023.

## 35 SUBSEQUENT EVENTS

There are no material subsequent events undertaken by or impacted on the Company or the Group subsequent to December 31, 2024 and up to the date of this report, expect for the following:

In February and March 2025, the United States officially launched the measures of tariff increase on China. Revenue derived by the Group from the United States is subject to these tariffs which will increase the Group's cost of goods sold. In view of the dynamic changes in the market environment and the continuing adjustments in tariff measures by the United States, it is difficult to estimate the impact to the Group's financial results and position for the time being. The Group's management will closely monitor the impact of the development in tariff measures to the Group's operating results.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

### (a) Statement of financial position

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investments in subsidiaries	141,760	139,580
<b>Current assets</b>		
Prepayments, other receivables and other current assets	–	1,987
Time deposits	744,221	–
Financial assets at FVPL	36,243	–
Cash and cash equivalents	2,711	75
	783,175	2,062
<b>Total assets</b>	<b>924,935</b>	<b>141,642</b>
<b>EQUITY</b>		
Share capital	1,985	1,460
Share premium	790,710	137,208
Shares held for shares award scheme	(6)	(6)
Reserves	21,792	1,556
Accumulated losses	(14,268)	(1,283)
<b>Total equity</b>	<b>800,213</b>	<b>138,935</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Other payables and accruals	124,722	2,707
<b>Total Liabilities</b>	<b>124,722</b>	<b>2,707</b>
<b>Total equity and liabilities</b>	<b>924,935</b>	<b>141,642</b>

The statement of financial position was approved by the Board of Directors on March 26, 2025 and was signed on its behalf.

**Zhang Guodong**  
Director

**Lyu Yili**  
Director



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

### (b) Reserve movement of the Company

	Share-based payment reserves RMB'000	Foreign currency translation reserve RMB'000	Total RMB'000
<b>As at February 3, 2023 (date of incorporation)</b>	–	–	–
Share-based payment	1,598	–	1,598
Other currency translation differences	–	(42)	(42)
<b>As at December 31, 2023</b>	1,598	(42)	1,556
<b>As at January 1, 2024</b>	<b>1,598</b>	<b>(42)</b>	<b>1,556</b>
Share-based payment	<b>2,180</b>	–	<b>2,180</b>
Other currency translation differences	–	<b>18,056</b>	<b>18,056</b>
<b>As at December 31, 2024</b>	<b>3,778</b>	<b>18,014</b>	<b>21,792</b>

## 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 statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 37 SUMMARY OF OTHER ACCOUNTING POLICIES(Continued)

### 37.1 Principles of consolidation (Continued)

#### (ii) Changes in ownership interest in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amounts of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

#### (iii) Disposal of subsidiaries

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable Hong Kong Institute of Certified Public Accountant.

If the ownership interest in or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

#### (iv) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable. Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the combined financial statements of the investee's net assets including goodwill.

### 37.2 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The functional currency of the Company and certain of its overseas subsidiaries is United States Dollars (“**US\$**”). The functional currency of the Group's PRC subsidiaries is RMB. The consolidated financial statements are presented in RMB, which is the Group's presentation currency.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 37 SUMMARY OF OTHER ACCOUNTING POLICIES(Continued)

### 37.2 Foreign currency translation (Continued)

#### (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 statement 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 37 SUMMARY OF OTHER ACCOUNTING POLICIES(Continued)

### 37.3 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 15).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other gains – net" in the consolidated statement of comprehensive loss.

### 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 OCI. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 37 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

### 37.4 Investments and other financial assets (Continued)

#### (b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

#### (c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its 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 statement 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 37 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

### 37.4 Investments and other financial assets (Continued)

#### (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 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 Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

### 37.6 Inventories

Raw materials and finished goods are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### 37.7 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company issued shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums over share capital shall be classified as share premium.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 37 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

### 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 removed from the consolidated balance sheet when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as finance costs.

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.

Foreign exchange gains and losses resulting from the borrowings denominated in foreign currencies are recognized in the consolidated statement 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.

Other borrowing costs are expensed in the period in which they are incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 37 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

### 37.10 Provisions

Provisions for legal claims, service warranties and make good obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

### 37.11 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 37 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

### 37.12 Current and deferred income tax (Continued)

#### (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 consolidated 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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 37 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

### 37.13 Employee benefits (Continued)

#### (b) Pension obligations, housing funds, medical insurances and other social insurances

Full time employees of the Group in the PRC are members of a 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 year ended December 31, 2024 to offset the Group's contribution to the abovementioned retirement benefit schemes.

### 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 (options) is recognized as an expense on the consolidated financial statements. The total amount to be expensed is determined by reference to the fair value of the equity instruments (options) 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 and options 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. Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognized in relation to such shares are reversed effective at the date of the forfeiture.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 37 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

### 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 Leases

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. They are stated at cost less accumulated depreciation and accumulated impairment losses.

Leases are initially recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's estimated useful life and the lease term.

The lease payments are discounted using the interest rate implicit in the lease, if that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and
- makes adjustments specific to the lease, e.g., term, country, currency and security.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense. Short-term leases are leases with a lease term of 12 months or less.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 37 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

### 37.16 Leases (Continued)

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.

### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 37 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

### 37.17 Dividend distribution

Dividend distribution to the shareholders is recognized as a liability in the Consolidated financial statements in the year in which the dividends are approved by the entities' shareholders or directors, where appropriate.

### 37.18 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).