

**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**

**2025**

**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
“Company”, “we”, “us”, or “our”	Carote Ltd 卡羅特(商業)有限公司, an exempted 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)
“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
“IFRS”	the International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange

# DEFINITIONS

“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, 2025
“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
“%”	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. KWOK Yan Ting Jennis (郭恩廷)

### Authorized Representatives

Mr. ZHANG Guodong (章國棟)  
Ms. KWOK Yan Ting Jennis (郭恩廷)

## 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  
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

<https://www.mycarote.com/>

## Stock Code

2549

# FIVE-YEAR FINANCIAL SUMMARY

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

## Condensed Consolidated Statement of Profit or Loss

	For the Year Ended December 31,				2025 (RMB'000)
	2021 (RMB'000)	2022 (RMB'000)	2023 (RMB'000)	2024 (RMB'000)	
Revenue	675,345	768,482	1,583,082	2,073,251	<b>2,156,671</b>
Cost of sales	(548,822)	(493,192)	(1,017,941)	(1,237,854)	<b>(1,471,254)</b>
Gross Profit	126,523	275,290	565,141	835,397	<b>685,417</b>
Profit for the year	31,655	108,488	236,474	355,960	<b>257,819</b>

## Condensed Consolidated Statement of Financial Position

	As at December 31,				2025 (RMB'000)
	2021 (RMB'000)	2022 (RMB'000)	2023 (RMB'000)	2024 (RMB'000)	
Current asset	256,068	295,088	531,186	1,454,078	<b>1,624,197</b>
Non-current asset	183,972	258,002	104,871	267,673	<b>273,944</b>
<b>Total asset</b>	<b>440,040</b>	<b>553,090</b>	<b>636,057</b>	<b>1,721,751</b>	<b>1,898,141</b>
Current liabilities	358,918	377,711	411,105	466,068	<b>490,885</b>
Non-current liabilities	10,688	38,126	2,331	–	<b>–</b>
<b>Total liabilities</b>	<b>369,606</b>	<b>415,837</b>	<b>413,436</b>	<b>466,068</b>	<b>490,885</b>
<b>Net current (liabilities)/assets</b>	<b>(102,850)</b>	<b>(82,623)</b>	<b>120,081</b>	<b>988,010</b>	<b>1,133,312</b>
<b>Net assets</b>	<b>70,434</b>	<b>137,253</b>	<b>222,621</b>	<b>1,255,683</b>	<b>1,407,256</b>

Note:

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

# FIVE-YEAR FINANCIAL SUMMARY

## Summary of Key Financial Metrics

	2021	2022	2023	2024	<b>2025</b>
Revenue growth rate	N/A	13.8%	106.0%	31.0%	<b>4.0%</b>
Gross profit margin	18.7%	35.8%	35.7%	40.3%	<b>31.8%</b>
Net profit margin	4.7%	14.1%	14.9%	17.2%	<b>12.0%</b>
Average inventory turnover days <sup>(1)</sup>	17.5	26.9	27.0	38.8	<b>54.1</b>
Average trade receivables turnover days <sup>(2)</sup>	33.6	28.3	14.9	14.1	<b>24.8</b>
Average trade and bills payables turnover days <sup>(3)</sup>	148.0	206.6	113.8	111.4	<b>101.0</b>
Gearing ratio <sup>(4)</sup>	60.5%	42.8%	4.4%	0.3%	<b>0.1%</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

Founded in 2016, CAROTE upholds the philosophy of "Optimal Utility, Superior Value" (物盡其用、物超所值). We are dedicated to creating a refined home cooking experience for global users through high-quality kitchenware. Over a decade of development, our business has expanded across core markets including China, North America, Japan and other areas, becoming one of the fastest-growing Chinese kitchenware brands in the world.

## 2025: A Year of Deep Cultivation Following Our Listing

In October 2024, we successfully completed our initial public offering and listed on the Main Board of the Stock Exchange of Hong Kong, marking a new chapter in our corporate development. However, we are acutely aware that listing is not the final destination, but rather a new starting point for us to deepen our presence in global markets and realize long-term value.

In 2025, the global economy and market environment remained complex and challenging. Macroeconomic pressures from U.S. tariff policies intensified, while industry competition became increasingly fierce. Leveraging our status as a listed company, we continued to refine our modern corporate governance framework and strengthen our risk resilience. While expanding our global business network and attracting international talent, we created broader horizons for the Group's sustainable growth. Guided by our vision and mission, we remained committed to our long-term development strategy. Through effective market tactics, robust product development capabilities, and efficient cost control, we maintained operational resilience and drove steady growth in our business scale.

Attributable to the aforementioned efforts, we recorded a total revenue of approximately RMB2,156.7 million in 2025, representing a year-on-year increase of approximately 4.0%, with sales growth being particularly significant in the second half of the year. This steady performance validates the effectiveness of our long-term strategy and stands as a solid achievement in our pursuit of high-quality development post-listing.

## Deepening Core Capabilities to Meet Consumer Needs through Value Creation

The steady progress of our business stems from a profound insight into global market demands and an unyielding pursuit of providing consumers with exceptional products and services. A deep understanding of consumer needs is the foundation of all our operations. In 2025, we continued to focus on product innovation, channel expansion, supply chain development, and organizational upgrades to strengthen our core competitiveness and drive steady growth in major global markets.

We will continue to optimize our SKU portfolio strategy while simultaneously enhancing the quality of individual items and enriching product materials and categories to build a more diverse, high-quality SKU matrix. Regarding channel expansion, we achieved a critical transformation, evolving from an online-led model toward a deep synergy between online and offline channels. In terms of supply chain development, the Company will spare no effort in investing and evolving into a supply chain system capable of supporting global business growth.

# CHAIRMAN'S STATEMENT

At the level of organizational and talent development, we continue to refine a standardized, professional, and efficient management structure. While maintaining the advantages of flat management, we have strengthened our support for multi-channel development through the construction of mid-office product departments and supply chain functions. Simultaneously, we have upgraded our talent strategy and accelerated the establishment of professional talent pipelines, laying a solid human capital foundation for the long-term growth of the enterprise.

## Future Outlook

In 2026, the global economic recovery still faces significant uncertainties and risks. The rise of trade protectionism, intensifying geopolitical tensions, and ongoing China-U.S. trade disputes are profoundly impacting global supply chains. We expect 2026 to remain a challenging year. However, the global cookware and kitchenware industry continues to demonstrate immense growth potential. Consumer demand for high-quality, high-value kitchenware products is steadily increasing, and within these challenges lie broad development opportunities.

In 2026, we will adhere to our long-term strategy. With consumer insight at our core, we will leverage our four core advantages – product quality, channel management, refined operations, and supply chain control – to steadily expand our global business.

Despite the challenges ahead, we possess a team equipped with both forward-looking vision and immense passion. We are determined to bring CAROTE to every corner of the globe and remain firmly confident in our future development.

Finally, I would like to express my most sincere gratitude to all colleagues for their dedicated efforts, and to all our business partners, global consumers, and investors for their long-standing support and trust.

# MANAGEMENT DISCUSSION AND ANALYSIS

## MACRO AND INDUSTRY ENVIRONMENT

In 2025, the global kitchenware industry, particularly the cookware sector, maintained steady growth driven by consumption upgrades and structural optimization. On a global scale, consumer preference for high-quality, durable cookware that combines innovative design with healthy and eco-friendly attributes continued to escalate. In China, a comprehensive manufacturing base, rising per capita disposable income among urban residents, and supportive policies such as “home appliance trade-in” (家電以舊換新) programs provided stable support, leading to a trend of structural growth for the industry.

Meanwhile, the industry faced more severe external challenges. Tensions in the geopolitical landscape, the ongoing restructuring of global supply chains, intensified fluctuations in raw material prices, and escalating price wars put pressure on industry profit margins. These factors, coupled with rising trade protectionism, exerted continuous pressure on stable operations. Notably, the United States continued to strengthen trade restrictions against China in 2025, implementing multiple rounds of tariff increases and adjustments, which directly impacted the pricing competitiveness and profit margins of Chinese export enterprises. As the U.S. market accounts for a high proportion of the Group’s revenue, these tariffs and trade barriers pose a practical risk to business operations.



According to data from professional institutions such as CIC (China Insights Consultancy), the global cookware market value grew from US\$32 billion in 2024 to US\$33 billion in 2025, and is expected to further increase to US\$36.3 billion by 2028. In 2025, the global cookware industry grew by 3.1% year-on-year, while the Group’s revenue grew by 4.0%, with our core business growth outperforming the industry average. In the long run, as consumer demand for high-quality, cost-effective, and well-designed kitchenware continues to be released, the global cookware market still holds vast growth potential. This brings development opportunities for brands with product innovation and global operational capabilities. However, due to the significant intensification of the competitive landscape and increased compliance costs, large-scale enterprises with advantages in branding, R&D, and supply chains will possess stronger risk resistance and growth potential.



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

We are a global brand for kitchenware products. Within ten 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, North America, Japan, Western Europe, Southeast Asia, and other areas, making us one of the fastest-growing kitchenware brands globally. Our products are always 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. In 2025, the proportion of our sales in offline channels has been continuously increasing, and stores count carrying our products has also been growing.

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. In 2025, despite facing the macroeconomic pressure of tariff policies of the United States of America (the “US”) and an intensely competitive market landscape, benefiting from our effective market strategy, strong product development capability and efficient cost control, the Company’s business scale maintained positive growth compared to the same period last year, with sales growth being particularly pronounced in the latter half of the year.

During the Reporting Period, our total revenue was approximately RMB2,156.7 million (the same period in 2024: approximately RMB2,073.3 million), representing a year-on-year increase of approximately 4.0%. The growth was driven by the following factors: (i) expansion of sales channels, particularly the penetration of offline channels and the recovery of online sales channels, and (ii) product expansion through the launch of new products made from different materials and in different categories in the market.



## MANAGEMENT DISCUSSION AND ANALYSIS

On the product front, we have continued to refine our SKU portfolio strategy and expand category breadth while elevating individual product quality to establish a more diverse matrix of high-quality SKUs. Taking the US market as an example, average transaction value has resumed an upward trajectory; material coverage has also extended from single-material aluminium cookware to encompass stainless steel, enamel, ceramic and other diverse material categories. Furthermore, the product category has been extended beyond core cookware to encompass a full range of kitchenware, establishing more comprehensive coverage of consumer scenarios.

Regarding channel deployment, we have been transitioning from its previous onlinedominated model towards a deeply integrated omnichannel architecture. Online sales scale has continued to expand, while the offline store network has accelerated its growth with increasing store counts. In the US market, online channel market share steadily climb, while offline partnerships deepen with leading retailers like Walmart and Target, expanding terminal coverage. In the Chinese market, we have been transitioning from a single online channel to the omnichannel model, successfully penetrating mainstream offline supermarket systems. In Japan, both online market share and sales volume on Amazon have increased, with simultaneous offline penetration into renowned retailers such as Donki, Aeon, and Uni.



# MANAGEMENT DISCUSSION AND ANALYSIS

Regarding organisational capability development, we have continued to strengthen the construction of our systems, striving to establish an orderly, professional, and efficient management structure. While maintaining the advantages of flat management, we have increased specialised investments. By centralising product and supply chain functions, we have enhanced support capabilities for multi-channel development.

At the talent strategy level, we recruited more senior industry professionals in 2025, enhanced recruitment standards, and accelerated the development of specialised talent pipelines to solidify the human capital foundation for long-term growth.



# MANAGEMENT DISCUSSION AND ANALYSIS

## FUTURE OUTLOOK

In 2026, the global economic recovery will remain clouded by significant uncertainties and risks. Rising trade protectionism, heightened geopolitical tensions and the ongoing US-China trade dispute will have a profound impact on the global supply chain. As a result, the year 2026 is expected to be another challenging year for our Group. However, history has consistently shown that challenges often lead to opportunities. In the midst of these headwinds, the global cookware and kitchenware industry will show remarkable growth potential, driven by ever-increasing consumer demand for high-quality and high-value kitchenware products.

In 2026, the Group will remain 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 Strategy:** In 2026, we will establish “quality first” as the core of our product strategy. Against the background of expanding business scale and product portfolio, quality stability will be enhanced through refined quality control measures, thereby fortifying the competitive moat of our products.
- 2 **Channel Strategy:** Steadily deepen global business deployment by expanding into additional regional markets. While consolidating online sales strengths, we will rapidly accelerate the retail store count expansion and deeply penetrate into the retail supermarkets to reinforce omnichannel synergies.
- 3 **Organizational Architecture:** We will maintain the advantages of a flat organizational structure, advance specialized division of labor through a “centralized platform + product-specific divisions” model, and continuously iterate and optimize organizational forms to efficiently support rapid business growth.
- 4 **Talent Strategy:** Launch the “Talent Development Programme” to strengthen performance evaluation mechanisms. Through targeted recruitment and systematic training, we will inject more globally-minded professionals into the Company, thereby energizing team innovation and continuously elevating expertise.
- 5 **Supply Chain Strategy:** We will sustain the efficiency dividends of “Made in China” by reinforcing the supply chain cost and efficiency advantages, optimize global inventory allocation to provide robust support for all sales channels, and thereby enhance operational resilience.

# MANAGEMENT DISCUSSION AND ANALYSIS

We are confident that through the implementation of these strategies, our Group will be well-positioned to navigate the challenges of 2026 and seize the emerging opportunities, thus achieving sustainable growth and creating greater value for all stakeholders.

## FINANCIAL REVIEW

### Revenue

During the Reporting Period, our total revenue was approximately RMB2,156.7 million (same period in 2024: approximately RMB2,073.3 million), representing a year-on-year increase of approximately 4.0%. 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,		
	2025 (RMB)	2024 (RMB)	Change (%)
	(in millions, except percentages)		
Branded business	2,021.1	1,860.6	8.6%
ODM business	135.6	212.7	-36.2%
Total	2,156.7	2,073.3	4.0%

Our revenue from branded business increased from approximately RMB1,860.6 million for the year ended December 31, 2024 to approximately RMB2,021.1 million for the year ended December 31, 2025, representing a year-on-year increase of approximately 8.6%. For the year ended December 31, 2025, we launched 3,775 SKUs of our own-branded products. Our revenue from branded business accounted for 89.7% of our total revenue for the year ended December 31, 2024 and 93.7% of our total revenue for the year ended December 31, 2025. The increase in revenue from our branded business is mainly due to our planning and strategy with a particular focus on branded business.

# MANAGEMENT DISCUSSION AND ANALYSIS

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,		
	2025 (RMB)	2024 (RMB)	Change (%)
	(in millions, except percentage)		
Mainland China	340.2	299.5	13.6%
United States	1,472.0	1,251.1	17.7%
Western Europe	18.2	104.9	-82.7%
Japan	112.7	93.7	20.3%
Southeast Asia	29.0	53.5	-45.8%
Others	49.0	57.9	-15.4%
<b>Total</b>	<b>2,021.1</b>	<b>1,860.6</b>	<b>8.6%</b>

During the Reporting Period, our branded business experienced revenue growth in all our geographic markets except for Western Europe, Southeast Asia and other regions in line with the strategy of our business expansion. Our revenue in branded business from the United States amounted to approximately RMB1,251.1 million and approximately RMB1,472.0 million for the year ended December 31, 2024 and 2025, respectively, accounting for 67.2% and 72.8% 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 17.7% 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) sales growth on Amazon; and (ii) sales growth through offline store channels.

## Gross Profit and Gross Profit Margin

Our gross profit decreased by approximately 18.0% from approximately RMB835.4 million for the year ended December 31, 2024 to approximately RMB685.4 million for the same period in 2025.

Our gross profit from branded business amounted to approximately RMB810.0 million and approximately RMB669.4 million for the year ended December 31, 2024 and 2025, respectively.

Our gross profit from ODM business amounted to approximately RMB25.4 million and approximately RMB16.0 million for the year ended December 31, 2024 and 2025, respectively.

Our gross profit margin from branded business was approximately 43.5% and approximately 33.1% for the year ended December 31, 2024 and 2025, respectively. Such decrease was primarily due to the escalation of the US tariff policies.

# MANAGEMENT DISCUSSION AND ANALYSIS

Our gross profit margin from ODM business was approximately 11.9% and approximately 11.8% for the year ended December 31, 2024 and 2025, respectively. Our gross profit margin from ODM business remained relatively stable. Such change was within a reasonable range in our normal operation.

## Expenses

### 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 and tariff paid, (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 RMB1,237.9 million for the year ended December 31, 2024 to approximately RMB1,471.3 million for the same period in 2025, representing a year-on-year increase of 18.9%, which was in line with the escalation of the US tariff policies and the growth of our branded business.

### Selling Expenses

Our selling expenses decreased by approximately 12.5% from approximately RMB375.5 million for the year ended December 31, 2024 to approximately RMB328.8 million for the same period in 2025, primarily due to a reduction in selling expenses following withdrawal from the markets in Europe, Southeast Asia and other regions.

### Administrative Expenses

Our administrative expenses decreased significantly by approximately 37.0% from approximately RMB62.4 million for the year ended December 31, 2024 to approximately RMB39.3 million for the same period in 2025, primarily due to no listing expenses incurred in 2025.

### Research and Development Expenses

Our research and development expenses decreased slightly by approximately 4.3% from approximately RMB41.4 million for the year ended December 31, 2024 to approximately RMB39.6 million for the same period in 2025. Such slight decrease represented a normal period-to-period fluctuation.

### Net Impairment Losses/Reversal of Impairment on Financial Assets

We recorded net impairment losses on financial assets of approximately RMB4.4 million for the year ended December 31, 2025, primarily representing credit impairment of our accounts receivable. We recorded a net reversal of impairment on financial assets of approximately RMB161,000 for the year ended December 31, 2024, primarily due to the growth of our offline business that led to an increase in accounts receivable. As the credit terms for offline business are generally longer than those for online business, the related credit impairment losses increased accordingly.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Other Income

Our other income decreased significantly from approximately RMB32.1 million for the year ended December 31, 2024 to approximately RMB6.2 million for the same period in 2025, primarily due to a decrease in government grants.

## Other Losses/Gains, Net

Our net other gains decreased significantly from approximately RMB10.2 million to a loss of approximately RMB12.9 million for the year ended December 31, 2024 and 2025, respectively.

## Finance Income, Net

Our net finance income increased significantly by approximately 156.3% from approximately RMB18.9 million for the year ended December 31, 2024 to approximately RMB48.4 million for the same period in 2025, primarily due to an increase in our interest income on time deposits as our time deposits increased.

## Income Tax Expenses

Our income tax expenses decreased from approximately RMB61.3 million for the year ended December 31, 2024 to approximately RMB57.3 million for the same period in 2025, primarily due to the decrease in our taxable income.

## Profit for the Year

As a result of the foregoing, our profit for the year decreased by approximately 27.6% from approximately RMB356.0 million for the year ended December 31, 2024 to approximately RMB257.8 million for the same period in 2025, while our net profit margin decreased from 17.2% for the year ended December 31, 2024 to approximately 12.0% for the same period in 2025.

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

To supplement the consolidated financial statements, which are presented in accordance with HKFRSs, we also use adjusted net profit as additional financial measures, which are not required by, or presented in accordance with, HKFRSs. We believe adjusted net profit facilitates comparisons of operating performance from period to period and company to company 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.

We believe adjusted net profit provides useful information in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, the presentation of adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of adjusted net profit has limitations as an analytical tool, and anyone should not consider it in isolation from, or as a substitute for an analysis of, its results of operations or financial condition 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

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 Year Ended December 31,	
	2025 (RMB)	2024 (RMB)
	(in millions, except percentages)	
<b>Profit for the year</b>	<b>257.8</b>	356.0
Add back:		
Listing expenses	<b>0.0</b>	27.0
<b>Adjusted net profit (non-HKFRS measure)</b>	<b>257.8</b>	383.0
<b>Adjusted net profit margin (non-HKFRS measure)</b>	<b>12.0%</b>	18.5%

## Liquidity, Financial Resources and Capital Structure

For the year ended December 31, 2025, (i) our net cash used in operating activities was approximately RMB54.5 million (same period in 2024, we generated net cash of approximately RMB350.2 million), primarily due to an increase in inventory turnover days resulting from a higher proportion of branded business sales, as well as an increase in accounts receivable turnover days attributable to the growing share of our offline business; (ii) our net cash generated from investing activities was approximately RMB59.3 million (same period in 2024: our net cash used in investing activities was approximately RMB874.1 million), primarily due to acquisition of property, plant and equipment and redemption of time deposits; and (iii) our net cash used in financing activities was approximately RMB93.5 million (same period in 2024, we generated from financing activities approximately RMB648.1 million), primarily due to the absence of over-allotment during the Reporting Period.

The total bank and other borrowings of the Group remain nil as at December 31, 2025.

As at December 31, 2025, the Group had current assets of approximately RMB1,624.2 million (as at December 31, 2024: approximately RMB1,454.1 million) and current liabilities of approximately RMB490.9 million (as at December 31, 2024: approximately RMB466.1 million).

The current ratio (which is calculated by dividing current assets by current liabilities) slightly increased to approximately 3.3 as at December 31, 2025 from approximately 3.1 as at December 31, 2024.

As at December 31, 2025, our cash and cash equivalents were primarily denominated in RMB and USD.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Foreign Exchange Exposure

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD. Foreign exchange risk arises 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 to manage their foreign exchange risk against their functional currency. The Group are required to control the exposure of the foreign currency during the business operation. The foreign currency exposure is mainly due to the settlement of the overseas sales in foreign currencies and the management controls the exchange schedule to reduce the Group's exposure to foreign exchange risk. Save for certain bank balances which are denominated in USD, the impact of foreign exchange exposure on the Group was minimal and there was minor impact on normal operations. During the Reporting Period, the Group did not commit to any financial instruments to hedge its exposure to foreign exchange risk. However, the management of the Group monitors foreign exchange exposure of the Group and will consider hedging significant foreign currency exposure should the need arise.

## Interest Rate Risk

Other than bank balances 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. In 2025, the Group did not have any interest-bearing bank borrowings, and therefore was not exposed to interest rate risk.

## CHARGE OVER ASSETS OF THE GROUP

As at December 31, 2025, the Group pledged restricted deposits to issue bank acceptance notes of RMB195.0 million, representing a decrease of 7.5% from RMB210.8 million as at December 31, 2024. Such restricted deposits included restricted cash and time deposits.

## 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 0.3% and 0.1% as at December 31, 2024 and 2025, respectively. Such decrease was mainly attributable to repayment of bank loans by the Group.

## CONTINGENCIES

As at December 31, 2025, the Directors were not aware of any significant events that would have resulted in material contingent liabilities.

# MANAGEMENT DISCUSSION AND ANALYSIS

## EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2025, the Group had a total of 257 employees (as at December 31, 2024: 188 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, and grants employees share awards 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.

Further details of the remuneration policies for the Directors is set out in the section headed “DIRECTORS’ REPORT” of this annual report.

## SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL

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, 2025, save for the “Future Plans and Use of Proceeds” disclosed in the Prospectus and the “Use of Proceeds from the Global Offering” in this report, we did not have other plans for material investments and capital assets.

## EVENTS AFTER THE REPORTING PERIOD

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 (as defined in the Prospectus), 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 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.

Set out below is the status of use of proceeds from the Global Offering as at December 31, 2025.

Purpose	% of use of proceeds	Net proceeds (HK\$)	Utilized amount	Unutilized amount	Expected timeline of full utilization of the unutilized proceeds
			as at December 31, 2025 (HK\$)	as at December 31, 2025 (HK\$)	
<i>(in millions, except percentages)</i>					
Pursuing acquisition and investment opportunities	35%	295.0	0.0	295.0	By the End of 2028
Product development	25%	210.7	14.8	195.9	By the End of 2027
Sales channel expansion	20%	168.6	0.0	168.6	By the End of 2028
ESG-related investments	10%	84.3	0.0	84.3	By the End of 2028
Working capital and other general corporate purposes	10%	84.4	28.8	55.6	By the End of 2026
<b>Total</b>	<b>100%</b>	<b>843.0</b>	<b>43.6</b>	<b>799.4</b>	<b>By the End of 2028</b>

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## Board of Directors

### Executive Directors

#### Mr. Zhang Guodong

**Mr. Zhang Guodong (章國棟)**, aged 38, is the chairman of our Board, executive Director and chief executive officer. Mr. Zhang has over 13 years of experience in the industry from working within our Group. Mr. Zhang joined our Group in July 2011 and successively served in various positions in Zhejiang Carote, our main operating subsidiary in China, including as sales manager from July 2011 to June 2014, production manager from July 2014 to June 2016, product manager for cookware from July 2016 to April 2019, and then as director and chief executive officer from April 2019 up to the present. He was appointed as our Director in February 2023 and was re-designated as an executive Director and chairman of the Board in March 2024, and was appointed as chief executive officer of our Company in March 2024. Mr. Zhang is responsible for formulating the overall corporate and business strategies and overseeing the daily operations of our Group.

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

#### Ms. Lyu Yili

**Ms. Lyu Yili (呂伊俐)**, aged 38, is our executive Director and chief product officer. Ms. Lyu has over 11 years of experience in the industry from working within our Group. Ms. Lyu joined our Group in April 2011 and successively served in various positions in Zhejiang Carote, our main operating subsidiary in China, including as product manager overseeing the general design and production of products. Since 2021, Ms. Lyu has started focusing and overseeing the design and development of drinkware. She was appointed as a Director in February 2023 and re-designated as an executive Director in March 2024. She was also appointed as our chief product officer in March 2024. Ms. Lyu is responsible for overseeing the daily operations and product development of our Group.

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

#### Mr. Xia Chenhao

**Mr. Xia Chenhao (夏宸顥)**, aged 31, is our executive Director and chief operating officer for China. Mr. Xia has over six 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.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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 since October 2023.

### Independent non-executive Directors

#### Ms. Yeung Shuet Fan Pamela

**Ms. Yeung Shuet Fan Pamela (楊雪芬)**, aged 52, is our independent non-executive director. She is responsible for supervising and providing independent judgement to the Board.

Ms. Yeung is an expert in capital markets and structured products with over 16 years of experience in investment banking. She began her career in capital markets investment banking. From 2017 to 2021, Ms. Yeung served as Managing Director at Barclays Asia Limited, where she was responsible for the equity capital markets business. From 2014 to 2015, she was the Managing Director of the Capital Markets Department at Standard Chartered Bank (Hong Kong) Limited. From 2007 to 2014, she served as Director of Asia Pacific Capital Markets at Citigroup Global Markets Asia Limited.

Ms. Yeung also possesses extensive experience serving on the boards of Hong Kong-listed companies. From October 2021 to September 2023, she served as an Executive Director of Arta TechFin Corporation Limited (a company listed on the Stock Exchange, Stock Code: 279), and served as its Chief Financial Officer from November 2022 to September 2023.

Ms. Yeung obtained a Bachelor's degree in Business Administration from the University of Southern California in 1996.

#### Dr. Chan Tin Wai David

**Dr. Chan Tin Wai David (陳天衛)**, aged 61, is our independent non-executive Director. He is responsible for supervising and providing independent judgment to the Board.

Dr. Chan has over 31 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.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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 43, is our independent non-executive director. He is responsible for supervising the Board and providing independent judgment to the Board.

Mr. Shi has over 16 years of experience in financial management, auditing, and board secretarial matters. From October 2008 to May 2015, Mr. Shi worked at Huapu Tianjian Certified Public Accountants (special general partnership) (now known as RSM China (special general partnership)), where his last position was business director. From June 2015 to October 2019, Mr. Shi served as a senior project manager in the Investment Banking Department of Guoyuan Securities Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000728). From November 2019 to March 2021, Mr. Shi served as the financial controller of Hefei Xihuicheng Microelectronics Co., Ltd. (now known as Hefei Xihuicheng Microelectronics Co., Ltd., a company listed on the Shanghai Stock Exchange, stock code: 688403) (“**Xihuicheng Semiconductor**”). From March 2021 to November 2022, he served as the secretary to the board and Chief Financial Officer of Xihuicheng Semiconductor, responsible for the company’s financial management and internal control system construction. From December 2022 to July 2023, and subsequently from February 2024 to September 2024, Mr. Shi served as the Chief Financial Officer of Wuhan Innosilicon Holding Group Co., Ltd. (a company primarily engaged in semiconductor IP licensing and chip customization services, now renamed Innosilicon Technology (Beijing) Co., Ltd.). Since October 2024, he has been the Chief Financial Officer of Jade Bird Display (Shanghai) Co., Ltd.

Mr. Shi has served as an independent non-executive director of Carote Ltd (a company listed on the Stock Exchange, stock code: 2549) since September 2024, and as an independent non-executive director of Ocean Family (Zhejiang) Co., Ltd. since May 2025.

Mr. Shi obtained a Bachelor’s degree in Accounting from Henan Polytechnic University in China in July 2006. Mr. Shi obtained the Certified Public Accountant (CPA) certificate issued by the Anhui Institute of Certified Public Accountants in March 2014, and obtained the Anhui Provincial Professional and Technical Qualification Certificate (Senior Accountant) issued by the Anhui Provincial Department of Human Resources and Social Security in December 2021. In August 2022, Mr. Shi obtained the Board Secretary Qualification issued by the Shanghai Stock Exchange.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## Senior Management

### Ms. Meng Haifang

**Ms. Meng Haifang (孟海方)**, aged 38, 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 33, is the chief operating officer for North America of our Group. She has over seven 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.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## Company Secretary

**Ms. Kwok Yan Ting Jennis (郭恩廷)** has over 12 years of extensive experience in corporate governance, company secretarial practice and regulatory compliance. She is currently Senior Manager, Entity Solutions of Computershare Hong Kong Investor Services Limited.

Ms. Kwok holds a degree of Bachelor of Business Administration from Hong Kong Shue Yan University. She is a fellow member of both The Hong Kong Chartered Governance Institute (the “**HKCGI**”) and The Chartered Governance Institute in the United Kingdom, and she is also a holder of the practitioner’s endorsement of HKCGI. In addition, Ms. Kwok is a Certified Environmental, Social and Governance Analyst (CESGA<sup>®</sup>) accredited by The European Federation of Financial Analysts Societies (EFFAS) and a Certified ESG Planner (CEP<sup>®</sup>) awarded by the International Chamber of Sustainable Development (ICSD). She also holds the Sustainability and Climate Risk (SCR<sup>®</sup>) Certificate issued by the Global Association of Risk Professionals (GARP<sup>®</sup>).

# 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 who held office during the Reporting Period and up to the date of this Directors' Report are as follows:

### Executive Directors

Mr. Zhang Guodong (*Chairman and Chief Executive Officer*)

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, 2025 are set out in the accompanying consolidated financial statements.

In line with the Company's general dividend policies, the Board has resolved to recommend a final dividend (the "**Final Dividend**") of HK\$0.1419 per Share (equivalent to approximately RMB0.13 per Share) for the year ended December 31, 2025 (2024: RMB0.13 per Share (equivalent to approximately HK\$0.1408 per Share)). The Final Dividend shall be subject to the approval of shareholders of the Company and such dividend is expected to be paid in HK dollars on or before July 31, 2026 to shareholders of the Company. Details of the arrangement for the distribution of dividends to shareholders of the Company will be notified by the Company separately.

As at the date of this report, the Board is not aware of any Shareholder who has waived or agreed to waive any dividends.

## ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**2026 AGM**") will be held on May 29, 2026. Notice of the 2026 AGM will be published and issued (if requested) to shareholders in due course.

## CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the eligibility of the shareholders attend and vote at the 2026 AGM, the record date will be May 29, 2026 and the register of members of the Company will be closed May 26, 2026 to May 29, 2026 (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 May 22, 2026, for registration.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 15 of the notes 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

Neither the Company nor any of its subsidiaries has redeemed, purchased or cancelled any of the Company's redeemable securities during the Reporting Period.

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

Save as disclosed below, 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) during the Reporting Period.

During the Reporting Period, pursuant to the general mandate granted to the Directors on May 30, 2025, the Company repurchased an aggregate of 4,201,500 Shares on the Stock Exchange at an aggregate consideration of HK\$20,371,065 (approximately RMB17,945,279) (inclusive of handling fee), all of which are held as treasury shares (as defined under the Listing Rules) of the Company.

# DIRECTORS' REPORT

During the Reporting Period, pursuant to the general mandate granted to the Directors on May 30, 2025, the Company repurchased an aggregate of 4,201,500 Shares on the Stock Exchange at an aggregate consideration of HK\$20,371,065 (approximately RMB17,945,279) (inclusive of handling fee), all of which are held as treasury shares (as defined under the Listing Rules) of the Company.

Month of Repurchase	No. of Shares repurchased	Purchase price per Share		Aggregate consideration paid (HK\$)
		Highest price paid (HK\$/Share)	Lowest price paid (HK\$/Share)	
April 2025	378,500	4.38	3.73	1,482,135.00
May 2025	462,500	4.97	4.76	2,278,710.00
July 2025	751,500	5.25	4.70	3,742,665.00
August 2025	502,500	4.89	4.65	2,413,530.00
September 2025	2,106,500	5.17	4.70	10,454,025.00
Total:	4,201,500			20,371,065.00

## Reasons for purchase and Intended Usage of Treasury Shares

These treasury shares were purchased and held for non-dilutive use in employee share schemes to be adopted in accordance with the Listing Rules in the future. They are intended for transfer upon the vesting of awards.

## 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, 2025, the Company's reserves available for distribution to equity holders, comprising the share premium and accumulated losses, amounted to approximately RMB237 million (2024: approximately RMB221 million).

## MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, revenue from the Group's five largest customers accounted for approximately 20.5% (2024: 12.7%) of the Group's total revenue and the revenue from the largest customer accounted for approximately 11.2% (2024: 6.6%) of the Group's total revenue.

During the Reporting Period, supplies provided by the Group's five largest suppliers accounted for approximately 55.5% (2024: 49.9%) of the Group's total purchase and supplies provided by the largest supplier included therein accounted for approximately 15.3% (2024: 22.1%) 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 or five largest suppliers during the Reporting Period.

## DEBENTURES IN ISSUE

The Company did not have any debentures in issue during the year ended December 31, 2025.

## 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.

## EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2025, the Group had a total of 257 full-time employees (2024: 188 employees). The following table sets forth a breakdown of our employees by function as at December 31, 2025.

Function	Number of Employees
Operation	144
Product design and development	10
Supply chain management	73
General and administrative	30
<b>Total</b>	<b>257</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 in the Reporting Period are set out in Notes 33 of the notes to the consolidated financial statements.

For the year ended December 31, 2025, our employee benefit expenses amounted to approximately RMB38.8 million as compared to approximately RMB35.5 million for the same period in 2024.

# DIRECTORS' REPORT

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, 2025, 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
HKD1,000,000 to HKD1,500,000	2
<b>Total</b>	<b>3</b>

During the year ended December 31, 2025, 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 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. Yeung Shuet Fan Pamela and Mr. Shi Zhoufeng will retire by rotation at the forthcoming annual general meeting (the "2026 AGM").

## **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 2026 AGM has a service contract or letter of appointment with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## **DIRECTORS' REMUNERATION**

The Directors' remuneration is subject to Shareholders' approval at general meetings. 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, 2025 are set out in Note 33 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 or the management of the Company or their respective close associates (as defined under the Listing Rules) 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 during the Reporting Period.

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.

# DIRECTORS' REPORT

## 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 32 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, 2025 or at any time during the year ended December 31, 2025 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

For the year ended December 31, 2025, no contract of significance had been entered into between the Company or any of its subsidiaries and the controlling Shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

For the year ended December 31, 2025, no contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling Shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries was entered into.

## MANAGEMENT CONTRACTS

For the year ended December 31, 2025, 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.

## **RELATED PARTY TRANSACTION, CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION**

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 – Oneoff Connected Transaction" in the Prospectus.

From the Listing Date to the December 31, 2025 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.

Details of the related party transactions of the Company for the year ended December 31, 2025 and undertaken in the usual course of business are set out in Note 32 of the notes to the consolidated financial statements. None of these 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, 2025, 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:

# DIRECTORS' REPORT

## (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	409,860,100	73.85%	Long position
Ms. Lyu <sup>(1)</sup>	Interest in a controlled corporation	408,258,100	73.56%	Long position

Notes:

- (1) This includes (a) 404,056,600 Shares held by Yili Investment Holdings Ltd (“**Yili Investment**”). Yili Investment is held as to 55% by Yili Capital Ltd (“**Yili Capital**”) and 45% by Guodong Capital Ltd (“**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; and (b) 4,201,500 treasury shares of the Company, since both Mr. Zhang and Ms. Lyu, through Yili Investment, controls over one-third of the voting power at general meetings of the Company. Hence, both Mr. Zhang and Ms. Lyu are taken to have an interest in 4,201,500 treasury shares of the Company.
- (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>	Interest in a controlled corporation	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, as of the date of this report, 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, 2025.

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

As at December 31, 2025, 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 disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or 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	408,258,100	73.56%	Long position
Yili Capital <sup>(1)</sup>	Interest in a controlled corporation	408,258,100	73.56%	Long position
Guodong Capital <sup>(1)(2)</sup>	Interest in a controlled corporation	409,860,100	73.85%	Long position

Notes:

- (1) This includes (a) 404,056,600 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; and (b) 4,201,500 treasury shares of the Company, since Yili Investment controls over one-third of the voting power at general meetings of the Company. Hence, each of Yili Investment, Guodong Capital and Yili Capital is taken to have an interest in 4,201,500 treasury shares of the Company.
- (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.

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 disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at December 31, 2025.

## 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

During the Reporting Period 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.

# DIRECTORS' REPORT

## REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company comprises all the three independent non-executive Directors, namely Mr. Shi Zhou Feng, 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, 2025.

## AUDITOR

There has been no change in auditor of the Company during the three years prior to the date of this annual report.

PricewaterhouseCoopers will retire and a resolution for their re-appointment as the auditor of the Company will be proposed at the 2026 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.

## CHARITABLE DONATIONS

During the year ended December 31, 2025, the Group made charitable contributions and other donations RMB277.8 thousand (2024: RMB238.0 thousand).

### Continuing Disclosure Obligations pursuant to the Listing Rules

As of December 31, 2025, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

## 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 during the Reporting Period and up to the date of this annual report.

## EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this 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*

Hang Zhou, the PRC

March 26, 2026

# CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report of the Company for the Reporting Period.

## 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.

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 Reporting Period, save for deviations from code provision 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 align with the latest business development and business strategies. 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 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 all the relevant employees 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 Reporting Period.

No incident of non-compliance with the Model Code by the relevant employees was noted by the Company during the Reporting Period.

### 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 Company.

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.

# CORPORATE GOVERNANCE REPORT

## 1. Board Composition

As at December 31, 2025, 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.

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 are 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, 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 Reporting Period and up 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 independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. During the Reporting Period, the Company did not receive from the independent non-executive Directors of any subsequent change of circumstances which may affect his/her independence. 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. YEUNG Shuet Fan Pamela and Mr. SHI Zhoufeng, 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 Company.

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 a 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 has 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, 2025 are summarised as follows:

<b>Directors</b>	<b>Type of Training <sup>(Note)</sup></b>
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

## 7. Board Performance Review

The Board recognizes the importance of periodic evaluation of its performance and effectiveness. The Company will implement regular evaluation of the Board's performance once every two years to all Directors individually. Such review may cover, among other things, the structure, composition, operation, effectiveness of the Board and Board committees, information flow to the Board, and discharge of the Board's responsibilities.

## 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;

# CORPORATE GOVERNANCE REPORT

- 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, 2025, 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, 2025, 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, 2025, the majority of the members of the Audit Committee, 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.

During the Reporting Period, the Audit Committee held two (2) meetings and a summary of the work performed by the Audit Committee during the Reporting Period is set out as follows:

- 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 and the interim condensed consolidated financial statements for the six months ended June 30, 2025;

# CORPORATE GOVERNANCE REPORT

- 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 Reporting Period;
- 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 met with the external auditors twice during the Reporting Period. 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 each director's time commitment and contribution to the board, as well as the director's ability to discharge his or her responsibilities effectively; 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.

# CORPORATE GOVERNANCE REPORT

During the Reporting Period, 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;
- 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:

<b>Gender</b>	<b>Age Group</b>
Male: 4 Directors Female: 2 Directors	31–40: 3 Directors 41–50: 1 Director 51–60: 1 Director 61–70: 1 Director
<b>Designation</b>	<b>Educational Background<sup>(1)</sup></b>
Executive Directors: 3 Directors Independent Non-Executive Directors: 3 Directors	Business Administration: 3 Directors Account and Finance: 3 Directors Marketing: 1 Director Law: 1 Director
<b>Nationality</b>	<b>Business Experience</b>
Chinese: 6 Directors	All of the Directors have abundant industry experiences and knowledge related to the Group's business

*Note:*

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

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:

	<b>Female</b>	<b>Male</b>
Directors	33.3% (2)	66.7% (4)
Senior Management	100.0% (2)	0.0% (0)
Other employees	65.9% (164)	34.1% (85)
All Directors and employees	65.4% (168)	34.6% (89)

# CORPORATE GOVERNANCE REPORT

## 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.

# CORPORATE GOVERNANCE REPORT

- 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
  - (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.

During the Reporting Period, the Remuneration Committee held one (1) meeting 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.

# CORPORATE GOVERNANCE REPORT

## 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.

## E. Attendance Records of Directors

The attendance records of each Director at the Board meetings, Board committee meetings and the general meeting of the Company held during the year ended December 31, 2025 is set out in the table below:

Name of Director	Attendance/Number of Meetings				Annual General Meeting	Extraordinary General Meeting
	Board	Audit Committee	Nomination Committee	Remuneration Committee		
Mr. Zhang Guodong	4/4	–	–	1/1	1/1	–
Ms. Lyu Yili	4/4	–	1/1	–	1/1	–
Mr. Xia Chenhao	4/4	–	–	–	1/1	–
Ms. Yeung Shuet Fan Pamela	4/4	2/2	1/1	1/1	–	–
Dr. Chan Tin Wai David	4/4	2/2	–	1/1	–	–
Mr. Shi Zhoufeng	4/4	2/2	1/1	–	–	–

During the year ended December 31, 2025, an annual general meeting of the Company was held on May 30, 2025. The Company held a total of four (4) Board meetings during the year ended December 31, 2025.

Code Provision C.2.7 requires that the chairman should at least hold one meeting annually with the independent non-executive directors without the presence of other directors. However, no meeting was held between the Chairman and the independent non-executive directors of the Company without the presence of other Directors due to business engagements. Therefore, the Company deviates from Code Provision C.2.7. Nevertheless, the Directors are of the view that, at the board meetings of the Company, the independent non-executive directors of the Company may also communicate directly and effectively with each of the executive directors of the Company, including the chairman, through other channels to express their personal views, opinions and suggestions. Therefore, the Board is of the view that the deviation from this code provision does not have material impact on the operation of the Board.

# CORPORATE GOVERNANCE REPORT

## 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.
- 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 year ended December 31, 2025, 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, chief executive'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 year ended December 31, 2025. There were no material changes to the assessment of risks or to the risk management and internal control system during the Reporting Period.

# CORPORATE GOVERNANCE REPORT

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, 2025, 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, officers, senior management 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, 2025.

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.

# CORPORATE GOVERNANCE 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, 2025 amounted to RMB2.6 million and RMB583,024 (non-audit services, which shall include tax consulting services) respectively.

## I. Company Secretary

On August 28, 2025, Ms. Chan Yuen Mui resigned as the company secretary, an authorized representative of the Company under Rule 3.05 of the Listing Rules (the "**Authorized Representative**"), and an authorized representative for acceptance of service of process and notices on behalf of the Company under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Process Agent**"). Mr. Chow Shing Lung ("**Mr. Chow**") was appointed as the company secretary, Authorized Representative and Process Agent in replacement of Ms. CHAN Yuen Mui on August 28, 2025.

On March 26, 2026, Mr. Chow resigned from, and Ms. Kwok Yan Ting Jennis ("**Ms. Kwok**") was appointed to, the same positions. Ms. Kwok is Senior Manager of Entity Solutions of Computershare Hong Kong Investor Services Limited, the Company's company secretarial service provider. For further details, please refer to the Company's announcement dated March 26, 2026.

Mr. Zhang Guodong, the Chairman, an executive Director and our chief executive officer, is the primary contact person of the Company and works and communicates with Ms. Kwok on the Company's corporate governance and secretarial and administrative matters.

During the Reporting Period, in compliance with Rule 3.29 of the Listing Rules, Mr. Chow 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 Article 9.3 of 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 Place of Business in China:	3rd-5th Floor, Unit 1, Tower 6 Sunshine City, Xiaoshan District, 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, Hong Kong.

# CORPORATE GOVERNANCE REPORT

## 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.

## K. 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.

During the Reporting Period, the Company held a general meeting with all Directors attended to answer questions from the Shareholders. All the public information published on the Stock Exchange has also been published on the Company's website in English and Chinese versions to facilitate the Shareholder's understanding. Several investors' briefings or one-on-one meetings 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.

# CORPORATE GOVERNANCE REPORT

The Company has adopted a Dividend Policy on payment of dividends. The Company do 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.

## **L. 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 Reporting Period 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 second environmental, social and governance report (this “**Report**”) issued by Carote Ltd for all stakeholders of the Company with a focus on disclosing the Company’s management approaches, practices and performance in environmental, social and governance (ESG) aspects.

### Basis and Principles of Preparation

This Report has been prepared in accordance with the requirements of Appendix C2 “Environmental, Social and Governance Reporting Code” (the “**Code**”) of 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:** The Company has established communication mechanisms with key stakeholders and an approach to addressing their concerns and expectations. Through regular communication with stakeholders and assessments of materiality issues, ESG issues that have a significant impact on investors and other stakeholders are identified and disclosed to ensure that the Report focuses on key areas.

**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:** The statistical methods and disclosure criteria used in this Report are consistent with those of previous years. Any changes will be explained in detail to ensure data comparability and the reliability of trend analysis.

### Reporting Period and Boundary

This Report discloses information for the period from January 1, 2025 to December 31, 2025 (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 March 26, 2026.

# 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", or the "Group" 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/zh-hans-cn> or <https://www.hkexnews.hk/>.

## Statements of the Board

On the occasion of the publication of Carote's ESG Report, I would like, on behalf of the Company's Board of Directors and the entire management team, to extend my sincere gratitude to all partners who have long cared about and supported the Company's development. This report is not only a comprehensive review of Carote's ESG efforts, but also a solemn commitment by the Company to uphold long-termism and pursue sustainable development.

**Compliance forms the foundation for the stable and long-term development of an enterprise.** The Company has consistently regarded compliant operation as the lifeline of its corporate development, established and improved its internal control management system, strictly complied with the laws and regulations of the place of listing and the regulatory requirements of the countries in which it operates, and firmly upheld the bottom line of business ethics. The Board of Directors continues to strengthen its ESG governance functions to ensure that every business decision and every step of business development is conducted in a compliant and orderly manner, to ensure transparent and standardized corporate governance, and to create long-term value for stakeholders.

**Green development is an indispensable mission for businesses.** At the product design stage, the Company upholds the philosophy of "making the best use of everything" and is committed to developing durable and recyclable kitchenware products. On the production side, the Company works with its suppliers to explore green manufacturing processes that reduce resource consumption and waste emissions. The Company is deeply committed to low-carbon operations, taking concrete actions to protect the environment and driving the transition to low-carbon practices across the entire value chain.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

**Product responsibility and customer service are the foundation of an enterprise.** The Company remains committed to its founding principle of quality, maintaining strict control over product quality. We refine our products to the highest standards and with the utmost rigor, continuously optimize our service system to ensure product safety and an exceptional user experience, and earnestly respond to our customers' trust. Through responsible products and personalized service, we strive to build long-term, stable partnerships with our customers.

**Employee care and social responsibility are the driving force for a company to move forward with warmth.** The Company adheres to a people-oriented philosophy, safeguards the legitimate rights and interests of its employees, and is committed to providing every team member with fair opportunities for growth, comprehensive benefits, and an inclusive work environment. At the same time, the Company actively fulfills its corporate social responsibilities, engages in philanthropic activities, and contributes to the collective development and shared prosperity of society.

In the future, Carote will continue to stay true to its original aspiration and forge ahead with diligence, operating its business in a responsible manner, with compliance as the foundation, green development as the wings and quality as the soul, joining hands with all stakeholders to create a better tomorrow of sustainable development.

*Chairperson*  
**Zhang Guodong**

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ANNUAL AWARDS AND RECOGNITION

### Awards

2025 Gold After-Sales Service Stores  
HOME Galaxy Award (Outstanding Content of the First Half of 2025)  
HOME Galaxy Award (Top Merchants of the First Half of 2025)  
2024 Green Sustainability Award  
Alibaba 2024 Annual Philanthropy Award for Dedication  
2024 Experience Pioneer Stores

### Awarding Entity

Taobao and Tmall Group  
Douyin  
Douyin  
Amazon  
Alibaba Foundation  
Taobao and Tmall Group

### Certification

Recycled Claim Standard (RCS)  
Recycled Claim Standard (RCS)

### Accrediting body

SGS-CSTC Standards Technical Services  
Co., Ltd. (SGS)  
Intertek

## ESG governance

The Company continuously refined its ESG governance framework, reinforced the foundation of its sustainability management, maintained regular communication channels with stakeholders, and systematically carried out the identification and analysis of materiality issues, thereby promoting the deep integration of ESG concepts into the entire operational process.

### ESG governance framework

The Company firmly believes that strong ESG governance is the foundation of our sustainable development. The Company has established a governance structure comprising the Board and the ESG Working Group to promote, in a top-down approach, the integration of ESG concepts into business operations and decision-making. The Board, as the highest decision-making body, assumes overall responsibility for ESG strategic oversight and risk management. The ESG Working Group, which is comprised of key personnel across the Company's departments, serves as the specific execution body for ESG work, undertaking the strategic deployment of the Board and ensuring the effective implementation of all ESG goals. Where necessary, independent third-party professional institutions are engaged to conduct ESG risk assessments, strategy reviews and internal controls reviews, and to promote optimisation and improvement based on the assessment results, so as to continuously reduce ESG risks and enhance overall ESG performance.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Carote's ESG Governance Framework

### Board of Directors:

- Fully responsible for reviewing the ESG strategy, goals and work plans as the highest decision-making body;
- Conduct annual systematic assessments of risks and opportunities related to sustainable development, such as climate change, and implement improvement measures as needed;
- Review the Company's progress in environmental protection, fulfillment of social responsibilities, and corporate governance, and oversee the implementation of ESG goals;
- Responsible for approving the annual ESG report.

### ESG Working Group:

- Formulate detailed action plans based on the ESG policies and plans approved by the Board, coordinate and organise their implementation, and drive each business segment and functional department to fulfil ESG-related work requirements according to the prescribed schedule and standards;
- Establish a routine monitoring mechanism for ESG indicators, continuously carry out data collection, collation and analysis, and regularly report to the Board on the progress of achieving ESG goals;
- Coordinate the preparation of an annual ESG report;
- Establish internal and external channels for ESG communication with stakeholders, and proactively carry out internal promotion and external communication.

**External expert advisors:** The Company engages independent professional consulting institutions as external ESG expert advisors to provide comprehensive professional guidance and technical support to the Board and the management team.

The Company has formulated and formally adopted a comprehensive ESG policy and conducts an annual review by the Board of Directors to ensure that it remains aligned with regulatory requirements and the Company's operational realities. The Company has established a systematic ESG risk and opportunity assessment framework incorporating climate-related issues, giving full consideration to their environmental and social impacts, and has formulated quantifiable ESG goals and performance scorecards on that basis, which serve as the core benchmarks for measuring and reviewing the Company's ESG performance and progress. The relevant goals have been integrated into the Company's business decision-making system.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Stakeholder communication

The Company places great emphasis on maintaining regular communication with stakeholders, viewing it as a cornerstone of its ESG management. By upholding the principles of transparency, openness and mutual trust, the Company maintains regular communication through multiple channels with key stakeholders, including government and regulatory authorities, shareholders and investors, customers, partners, employees, communities and the media, so as to promptly identify and respond to the expectations and demands of all parties in respect of the Company's ESG aspects.

Stakeholders	Core Expectations and Demands	Communication Channels and Methods
Government and regulatory authorities	Alignment with national policies Compliant business operations	Annual report Regulatory filings Official website disclosures Cooperating with regular inspections of our sites
Shareholders and investors	Protection of shareholder rights Operation Transparency and Standardization Stable returns over the long term	Regular reports (annual report/interim reports) Results announcements General meetings and investor hotline
Customers	Product Safety and Quality Good quality for money Prompt after-sales response	E-commerce Platform Interaction Customer service hotlines and online customer service Customer satisfaction survey Social media communication
Partners (suppliers/service providers)	Integrity, fairness and cooperation Mutual benefit for win-win development Intellectual property protection	Regular supplier communications Industry association events and exchange activities
Employees	Protection of rights Protection of Compensation and benefits Career Development Opportunities Health and Safety Working Environment	Internal communications and announcements Training and exchange Employee satisfaction survey
Community and the media	Practising social responsibility Open and transparent communication	Public welfare engagement Official website and social media matrix

## Materiality Issues Management

The Company regularly 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	Auditing
With reference to industry disclosure frameworks, by tracking domestic and international policies and regulations and topics of focus in the capital markets, benchmarking high-frequency topics of peer companies, and taking into account the corporate strategy and business characteristics of the Company, sustainability issues with significant impacts on the Company and its stakeholders were systematically identified, and an initial issue pool was established.	By collecting the levels of concern of internal and external stakeholders regarding each issue, the management evaluates the potential impact of each issue on the Company's corporate strategy, operations and risks, taking into account the actual business conditions.	The process and results of issue identification and assessment were reviewed and confirmed, and the Board ultimately reviewed and confirmed the materiality issues and their disclosure scope.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Dimension	Topic	Importance	Impact to Stakeholders	Impact on the Company's development
Governance	Business Ethics and Compliance Operation	Very important	Investors pay close attention to a company's integrity and regulatory compliance record;  Partners assess the risks associated with long-term partnerships.	Preventing corruption and the risk of legal sanctions;  Earn market trust through transparent governance.
	Corporate Governance	Very important	Investors assess the independence of the board of directors and the transparency of its decision-making.	Improving the capacity of risk control;  Safeguarding shareholders' interests and long-term value.
	Intellectual Property Protection	Important	Partners are concerned about the security of proprietary technology and designs;  Investors assess innovation capabilities.	Protecting core technological achievements and preventing losses from counterfeiting and infringement.
Environmental	Addressing Climate Change	Important	External stakeholders are concerned with climate risk response strategies.	Identifying and responding to physical risks such as extreme weather;  Aligning with the trend toward low-carbon transformation and enhance brand resilience.
	Energy Consumption	General	High-energy-consumption practices raise environmental concerns and affect how the government and local communities view the company;  Energy saving and consumption reduction receive policy support.	Optimizing energy efficiency in office and logistics operations to reduce operational costs and environmental impact.
	Emissions and Waste	General	Standardize the sorting of office waste and the recycling and disposal of consumables to enhance our reputation for environmental stewardship.	Promoting the recycling of office waste to reduce environmental disposal costs.
	Water Resource Management	General	Promote water-saving practices in the workplace, standardize water usage management, and foster positive community-business relations.	Optimising office water efficiency and reduce operating expenses.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Dimension	Topic	Importance	Impact to Stakeholders	Impact on the Company's development
Social	Product Quality and Safety	Very important	Issues such as substandard product quality can lead to consumer complaints and negative public sentiment, thereby harming consumer rights.	Substandard product quality leads to customer churn and declining revenue, resulting in compensation costs and expenses related to brand restoration;  Premium products improve customer loyalty.
	Customer Rights and Interests Protection and Services	Very important	A lack of service and compromised rights lead to customer churn and the spread of negative word-of-mouth.	High-quality service helps build a loyal customer base, drives repeat purchases, and fuels business growth.
	Supply chain management	Very important	Improve the service provider management system, enhance customer trust and attract quality partners.	Disruptions in service and supply, and loss of control over contract performance, increase operational risks and management costs.
	Protection of Employee Rights and Care	Important	Triggering labor-management disputes, damaging the company's public reputation and regulatory standing;  Building a strong employer brand to attract and retain talent.	Staff turnover and declining productivity lead to increased recruitment and training costs.
	Talent Training and Development	Important	Enhance employees' professional competitiveness and facilitate the improvement of the social employment environment.	Skill training improves innovation efficiency.
	Occupational Health and Safety	Important	Safety hazards in the workplace and the lack of occupational health protections harm employees' vital interests.	Strengthening office security measures, ensuring operational stability, and reducing the costs associated with security risks.
	Community Engagement	Relevant	Strengthening community engagement and enhancing brand reputation.	Gain local and community support to lay a solid foundation for long-term operations.

## 1. Reinforced Infrastructure

The Company firmly believes that sound governance and business ethics are the cornerstone for realizing business sustainability. The Company strictly complies with the laws and regulations of the places where it is listed and operates, and has established a governance structure with clear rights and responsibilities, transparency and standardisation. The Company adheres to the principle of integrity in its operations and safeguards its steady and sustainable development with high standards of business ethics, thereby creating long-term value for shareholders and stakeholders.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1.1. Business ethics and compliance management

The Company adheres to the bottom line of integrity in its operations, integrates business ethics and compliance management into the entire operational process, establishes and continuously improves a sound compliance control system, strictly complies with industry standards and laws and regulations, and enhances compliance awareness among all employees, thereby consolidating the foundation for development through standardized business conduct.

The Company has established a multi-level compliance management organisational structure covering all business areas, departments, subsidiaries and branches, and all employees of the Company, clearly defining the boundaries of powers and responsibilities of each party, integrating the concept of compliance throughout each stage of decision-making, management and execution, and forming a full-process compliance control system.

<b>Body</b>	<b>Compliance management duties and responsibilities<sup>1</sup></b>
<p><b>Board of Directors</b> The highest leadership and decision-making body for compliance management</p>	<ul style="list-style-type: none"> <li>• Promote the improvement of the compliance management system</li> <li>• Approve the compliance plan, the fundamental policy and the annual work report</li> <li>• Effectively implement the supervision system</li> </ul>
<p><b>Compliance, Internal Control and Risk Management Steering Group</b> Coordinate as a whole and promote the implementation of compliance management work</p>	<ul style="list-style-type: none"> <li>• Establish a sound organizational structure</li> <li>• Review specific policies and work plans to ensure that compliance requirements are integrated into business processes, and to prevent and correct non-compliance</li> </ul>
<p><b>Internal Control and Compliance Department</b> Take the lead in compliance management</p>	<ul style="list-style-type: none"> <li>• Draft and revise policies</li> <li>• Organise risk identification and assessment, and carry out responses to significant risks and monitoring and early warning</li> <li>• Participate in the review of regulations and contracts for compliance</li> <li>• Receive reports of violations and conduct investigations</li> <li>• Preparation of annual report</li> <li>• Promote the development of compliance culture and information system construction</li> </ul>
<p><b>Compliance Manager of Each Department</b> Responsible for compliance management in the department</p>	<ul style="list-style-type: none"> <li>• Be responsible for compliance information transmission in the department</li> <li>• Maintain the risk list</li> <li>• Participate in internal audits of the department</li> <li>• Cooperate with the Internal Control and Compliance Department in carrying out work</li> </ul>
<p><b>All employees</b> The first line of defense for compliance management</p>	<ul style="list-style-type: none"> <li>• Learn and master laws, regulations, and internal systems</li> <li>• Proactively identify compliance risks of their positions and assume direct responsibility for the compliance of conduct in their positions</li> </ul>

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company has established a compliance management system framework with the Compliance Management System at its core, and has formulated supporting specialised documents such as the Anti-Corruption, Anti-Bribery and Anti-Fraud Regulations and the Anti-Money Laundering Policy, clearly defining the boundaries of various compliance risks and systematically setting out the legal, economic and reputational consequences that may arise from improper conduct such as corruption and bribery. To ensure the continued effectiveness of the systems, the Company has established a dynamic mechanism for revising and improving its systems, under which the Internal Control and Compliance Department takes the lead in coordinating all departments to continuously track updates to external regulations, regularly review the systems and propose revision recommendations, so as to ensure the applicability and validity of the compliance management systems.

## *Process of Compliance Risk Management*

The Company has established a full-process Compliance Risk Management system covering the ex ante, interim and ex post stages, and achieved full-cycle risk control through the linkage of multiple mechanisms. The Internal Control & Compliance Department regularly assesses the suitability, adequacy and effectiveness of the compliance management system, submits the assessment results to the management for review, and urges the implementation of rectification measures. Through this mechanism, the Company integrates compliance principles into its business operations, with dynamic control and management safeguarding the Company's steady development.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Process of Compliance Risk Management<sup>2</sup>

- **Identification and Assessment:**
  - Implement a compliance risk identification and early warning mechanism
  - To comprehensively review compliance risks in business operations
  - Systematically assess and analyze the likelihood of risks, their potential impact and consequences
  - Timely issuance of warnings for risks demonstrating typical patterns, prevalence or potentially severe consequences
- **Response and Management:**
  - For major compliance risk events, the leading group will coordinate and the relevant departments will work together to formulate risk management contingency plans
  - Compliance reviews must be a mandatory step in decision-making on major matters and the signing of major contracts; no decision may be submitted without such a review
  - The Internal Control & Compliance Department participates in the compliance review of major business matters
  - The relevant department conducts a professional review of major matters within its purview and issues an opinion
- **Violation Reporting and Accountability:**
  - Establish whistleblowing and complaint mechanisms for violations relating to anti-fraud, anti-bribery and anti-money laundering, and publish reporting telephone numbers, email addresses or mailing addresses
  - The audit department shall receive reports of violations, then conduct investigations and handle such matters
  - Improve the punishment mechanism for violations, clarify the scope of liability, refine the punishment standards, and establish a fault-tolerance and exemption system
- **Compliance Inspection and Supervision:**
  - The Internal Control & Compliance Department conducts regular and ad hoc inspections on the effectiveness of the compliance management system and the professional conduct of employees, and in respect of deficiencies in the implementation of compliance control identified, urges the relevant departments to rectify them and follows up on the implementation status
- **Rectification of non-compliance issues:**
  - Establish a mechanism for addressing violations and rectifying issues, and plug loopholes by improving regulations and optimizing business processes

<sup>2</sup> GM-14-Compliance Management System

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company has deeply integrated its compliance philosophy into daily management and established a solid compliance assurance system through training empowerment, assessment-driven initiatives and information technology support. The Company organises compliance culture development activities covering all employees, regularly conducts compliance training and organises the signing of compliance undertakings, so as to enhance awareness among all employees through cultural promotion. At the same time, the status of compliant operation and management is incorporated into the annual comprehensive appraisal of the persons in charge of each department and branch and subsidiary companies, so as to promote the effective application of the appraisal results. In addition, the Company actively promoted the IT-based development of compliance management, gradually embedded compliance requirements and prevention and control measures into business processes, strengthened process control at key nodes, and enhanced the quality and efficiency of compliance management.<sup>3</sup>

## *Whistleblowing system and whistleblower protection*

The Company has established a reporting and accountability mechanism for misconduct covering anti-fraud, anti-bribery, anti-money laundering and compliance requirements under various domestic and overseas laws and regulations. The company has established a transparent reporting channel, including a dedicated reporting platform, and has published a hotline, email address, and physical mailing address to ensure that employees and business partners can submit reports either under their real names or anonymously.<sup>4</sup>The Audit Department accepts reports of misconduct, conducts investigations, and takes appropriate action; it refers relevant violations to the appropriate departments for handling in accordance with regulations.

The Company strictly enforces confidentiality measures for whistleblowers, including prohibition on disclosing their personal information, strict prevention of retaliation, and the provision of appropriate rewards to whistleblowers whose reports are substantiated. At the same time, the Company will refine the mechanism for penalizing violations, clarify the scope of responsibility, and specify the standards for penalties to strengthen our compliance defenses.<sup>5</sup>

Reporting email<sup>6</sup>: fin005@myCarote.cn

## **1.2. Anti-corruption and anti-commercial bribery**

The Company has established an anti-corruption management framework with clearly defined responsibilities and a prevention-oriented approach. As the supervisory management department, the audit department takes the lead in carrying out supervision over integrity in practice, improvement of systems and follow-up inspections. The Company has formulated the “Anti-Corruption, Anti-Bribery and Anti-Fraud Regulations”, which expressly require all employees to prohibit any form of corruption, bribery and fraud in business operation activities, covering all economic activities and the management processes of personnel, finance and assets, so as to ensure that business is conducted under the principles of fairness, impartiality and openness. During the reporting period, no litigation cases involving corruption or bribery by the Company or its employees occurred.

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

<sup>4</sup> GM-14-Compliance Management System

<sup>5</sup> GM-13 Anti-Corruption, Anti-Bribery and Anti-Fraud Regulations

<sup>6</sup> GM-13 Anti-Corruption, Anti-Bribery and Anti-Fraud Regulations

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## **Ex Ante Prevention:**

**Commitments for key positions:** A commitment system for the prevention of commercial bribery is implemented for personnel in key processes. Personnel in important positions are required to sign the Commitment to Integrity and Self-Discipline prior to onboarding; those who have not signed it shall not be permitted to execute contracts or agreements with external parties, thereby reinforcing the first line of defence for clean and honest practice.

**Supplier integrity and collaborative governance:** Strategic suppliers are required to sign the Anti-Commercial Bribery Agreement, extending anti-bribery requirements to the supply chain, promoting partners' joint compliance with the rules of fair competition, and fostering a clean business ecosystem.

## **In-process supervision:**

**Independent audit oversight:** the audit department, as the supervision and management department, conducts whole-process tracking inspections on the integrity compliance of key positions, carries out overt and unannounced inspections, promptly gives early warnings of emerging issues, and ensures that the systems are implemented in a standardised manner.

## **Post-event Accountability:**

**Unimpeded reporting channels:** We have set up whistleblowing boxes and published reporting hotline numbers to encourage internal employees and partners to provide oversight, promptly stop and refer for handling any disciplinary or regulatory violations identified, and resolutely refer any suspected criminal cases to the judicial authorities.

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

## **Corruption Incident Handling Process:<sup>7</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.

<sup>7</sup> GM-13 Provisions on Anti-Corruption, Anti-Commercial Bribery, and Anti-Fraud

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company conducts regular anti-corruption training to ensure that employees deeply understand and practice the Company's integrity culture.

In 2025<sup>8</sup>  
Total Anti-corruption training hours for all staff: 2 hours  
Anti-corruption related training hours for Directors: 2 hours

### 1.3. Intellectual property protection

The Company attaches great importance to intellectual property protection and is fully aware that intellectual property, including trademarks, patents and trade secrets, is a core asset for the Company's development. The Company strictly complies with laws and regulations such as the trademark and copyright laws in carrying out intellectual property protection, while entering into confidentiality and non-competition agreements with employees and relevant cooperating parties to build a strong line of defence for its rights and interests. To date, the Company has successfully registered multiple trademarks, patents, copyrights, and the exclusive domain name for its official website. As of the end of the reporting period, the Company was not involved in any lawsuits related to intellectual property infringement.

As of the end of 2025,<sup>9</sup>  
there are 53 valid patents and 135 valid trademarks.

## 2. Greening the Future

Carote Ltd firmly believes in a harmonious coexistence between products and the environment. Starting from the source of design, we integrate green principles into the product life cycle, reducing resource consumption through durable quality and promoting waste reduction through minimalist packaging. At the same time, we will continue to optimise the efficiency of energy and resource utilization in our operations. We are committed to taking responsible steps to support the industry's green and sustainable development.

### 2.1. Addressing climate change

Carote Ltd deeply understands the profound impact of climate change on business operations. We have integrated climate change into our corporate governance and risk management systems, continuously identifying and assessing climate-related risks, and contributing to the fight against climate change through practical measures such as optimizing energy efficiency and promoting energy conservation and carbon reduction.

#### *Governance*

Carote Ltd has deeply integrated climate change governance into its corporate governance system, established a systematic climate risk management mechanism, and constructed a climate change governance structure with clearly defined powers and responsibilities and layered implementation, with the governance powers and responsibilities at each level clearly specified.

<sup>8</sup> Information Collection Feedback – Compliance and Business Ethics

<sup>9</sup> Information Collection Feedback – Compliance and Business Ethics

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Board of Directors:

- As the highest decision-making body for the Company’s climate governance, it is responsible for setting strategic direction on climate;
- Regularly reviewing climate policies, objectives and performance.

## ESG Working Group:

- Organising and implementing, under the guidance of the Board, measures for managing climate risks and opportunities;
- Conducting daily monitoring, analysis and reporting to ensure climate actions progress as planned;
- Systematically collecting external climate information and data to provide a basis for the Board’s decision-making.

## Strategy

To implement climate change-related strategies more effectively, the Company has fully embedded its process for climate risk assessments into its overall risk management system and established an ongoing mechanism for identifying, assessing and responding to risks.

Type of risk	Risk description	Potential impacts	Duration	Measures and Plans
<b>Physical Risk</b>				
Acute risk	Frequent extreme weather events (such as heavy rain, flooding, and typhoons) can disrupt office operations or warehousing and logistics, and hinder supply chain transportation	Increased costs due to operational disruptions; Delays in order delivery affect customer satisfaction	Short-term	Establishment of an emergency response plan; Optimize warehouse layout to avoid high-risk areas
Chronic risk	Rising average temperatures may raise energy consumption for office and warehouse cooling; the risk of water shortages is affecting the production stability of some suppliers	Increased operating cost; Risk of localized supply chain disruptions	Medium-to-long term	Improving energy efficiency; Incorporating climate resilience into supplier evaluations; Regional distribution of decentralized procurement

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Type of risk	Risk description	Potential impacts	Duration	Measures and Plans
<b>Transition Risk</b>				
Regulatory and compliance risk	Major export markets (such as the European Union) may introduce more stringent carbon tariffs or product environmental footprint regulations, increasing compliance costs	Increased export costs; Product market entry has become more difficult	Medium-term	Establishing a dynamic tracking mechanism for laws and regulations; Take early steps in low-carbon product design
Market and customer preference risks	Consumers are increasingly concerned about a product's environmental credentials; if a product fails to meet green consumption trends in terms of recyclability and durability, it may affect its market share	Decline in brand competitiveness; Loss of customers	Medium-term	Integrating green concepts into product design; Promoting recyclable packaging; Strengthening the promotion of environment-friendly products
Reputational risk	If high carbon emissions or environmental pollution are discovered within the supply chain, it could lead to negative perceptions among investors and consumers	Damage to our brand reputation; Increased financing costs	Medium-term	Incorporating ESG performance into supplier admission standards; Conducting supplier capacity building

Type of opportunity	Opportunity description	Potential impacts	Duration	Action strategy
Resource efficiency	Reduce electricity intensity in operations by optimising energy management and promoting energy-saving equipment	Operating cost savings	Short-term	Promoting the lighting and office equipment upgrading for purpose of energy conservation; Strengthening employees' awareness of energy conservation
Product innovation	Developing more durable, recyclable, and lightweight products to meet consumer demand for eco-friendly kitchenware	Expansion of green product market; Enhancement of brand premiumization	Medium-term	Increasing R&D investment in environmentally friendly materials

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Risk Management*

We deeply integrate climate risk management into our supply chain operations and promote energy conservation and emission reduction through two key approaches: source control and energy efficiency enhancement.

In respect of raw materials, we require contract manufacturers to procure from entities that comply with national environmental standards and give priority to the use of recyclable materials, while strictly monitoring their compliance with environmental protection laws and regulations. During the reporting period, the top ten suppliers all maintained zero records of environmental violations. On the energy front, we actively promote electricity-saving measures throughout the supply chain, including installing solar panels to expand the use of clean energy, giving priority to the adoption of variable-frequency motors to reduce energy consumption, and conducting regular circuit inspections to reduce power loss.

## *Indicators and Targets*

We have set a goal that, by 2028, the energy consumption of newly purchased production equipment from contract manufacturers will be lower than that of all similar market equipment, thereby continuously reducing our operational carbon emissions.

Greenhouse gas emissions for 2023–2025:

<b>Metrics</b>	<b>Unit</b>	2023	2024	<b>2025</b>
Total GHG emissions	tCO <sub>2</sub> e	118.66	111.03	<b>210.59</b>
GHG emissions (Scope 1)	tCO <sub>2</sub> e	31.79	16.48	<b>30.84</b>
GHG emissions (Scope 2)	tCO <sub>2</sub> e	86.87	94.55	<b>179.75</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.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 2.2. Improving Energy and Resource Efficiency

The Company adheres to a green operating philosophy and is committed to green office and sustainable packaging practices. Through measures such as optimising operational management, promoting energy-saving equipment and strengthening employee awareness, the Company advances the implementation of its goals and integrates green and low-carbon principles into every aspect of its daily operations.

The Company regards the enhancement of energy and resource efficiency as an important direction of its environmental management and, taking 2023 as the baseline year in light of its actual business operations, has set targets for improving energy and resource efficiency for the next five years.

<b>Key Indicator<sup>10</sup></b>	<b>The Company's objectives</b>
Electricity consumption intensity	Using 2023 as the baseline year, the Company's target is to reduce overall electricity consumption intensity by 5% over the next five years.
Water consumption intensity	Using 2023 as the baseline year, the Company's target is to reduce total water use intensity by 5% over next 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.

<sup>10</sup> Prospectus

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Green Operations*

The Company has implemented a series of green office initiatives to integrate environmental protection concepts into daily operations. Through corporate initiatives, we encourage employees and partners to embrace a low-carbon lifestyle and make a positive contribution to environmental protection.

### **Green Operations Initiatives:<sup>11</sup>**

**Reducing Carbon Emissions:** Actively promoting online meetings to minimize non-essential business travel by employees and reduce the environmental impact of transportation-related carbon emissions.

**Promotion of Energy-efficient Appliances:** The office comprehensively replace appliances with high energy efficiency ratings and has introduced an intelligent power management system to monitor and regulate electricity consumption in real time, automatically switching to sleep mode when not in use to reduce energy wastage.

**Paperless Office:** Encourage double-sided printing and the use of electronic documents to reduce paper consumption, thereby minimizing the depletion of forest resources and the generation of waste.

**Water-saving Equipment Applications:** Install water-saving cleaning equipment to effectively control water usage during office cleaning, supporting water conservation through small, everyday actions.

**Green Commuting Initiative:** Avoid using business vehicles unless necessary; encourage employees to use public transportation for their commutes to help reduce carbon emissions from urban traffic.

<sup>11</sup> Prospectus 271

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Green Packaging and Low-Carbon Logistics*

We incorporate green principles into our packaging and logistics processes, implement packaging reduction and biodegradable substitution strategies, and reduce packaging waste and carbon emissions in the logistics process through systematic actions, so as to provide consumers with a more environmentally friendly product experience and work together with supply chain partners to build a green ecosystem.<sup>12</sup>

**Green Transition in Packaging Materials:** Focusing on key markets such as the United States, India, and Europe, we are implementing a four-step strategy of “reduce, reuse, recycle, and biodegradable” to minimize the use of non-biodegradable packaging materials and reduce environmental impact at the source.

**Supplier Collaboration on Plastic Reduction:** setting a target for the next five years to encourage approximately 20% of suppliers to adopt environmentally friendly packaging materials, thereby driving the supply chain towards green packaging.

**Recyclable Product Packaging:** We are committed to using recyclable packaging materials for approximately 80% of our products within the next five years, leveraging economies of scale to reduce the long-term environmental impact of packaging waste.

**Electrification of Warehouse Vehicles:** Prioritize the adoption of new energy vehicles in warehouse operations, ensuring that all newly purchased forklifts and pallet trucks are electric models, thereby eliminating exhaust emissions at the equipment level and improving air quality within and around the warehouse.

## *Water resource management<sup>13</sup>*

We systematically advance water resource management, with a focus on improving water use efficiency in the production process. In the production of non-stick cookware, water is primarily used to clean the cookware before spraying; this process accounts for approximately 70% to 90% of total water consumption. We are continuously improving water efficiency at our contract manufacturing factories through a series of initiatives, including upgrading spray coating equipment, optimising production line layouts and enhancing operators’ professional skills, with a view to reducing the production cost per unit while providing consumers with greener products at more competitive prices.

<sup>12</sup> Prospectus 272

<sup>13</sup> Prospectus 273

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 2.3. Emissions control

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, the Company pays close attention to matters that may occur directly or indirectly during the product production, packaging, delivery, and sales processes.

### **Emission Control Measures:**

#### **Source Control of Raw Materials**

We conduct stringent supplier admission reviews for five major categories of core raw materials, including aluminum alloys, paper, glass and others, and require all contract manufacturers to procure raw materials from entities that comply with national environmental standards and to give priority to the use of recyclable materials. Our top ten suppliers maintain a clean record with zero environmental violations, reducing the risk of emissions such as wastewater and greenhouse gases at the source.

#### **Waste reduction and efficiency enhancement**

We encourage contract manufacturers to strengthen quality control and improve manufacturing process and we continuously improve raw material utilisation by optimising product formulations, upgrading spraying equipment and reducing rework due to defects; Explore water-saving upgrades to the non-stick coating process, which accounts for approximately 70% to 90% of total production water consumption; improving efficiency in this area will simultaneously reduce wastewater discharge.

#### **Continuous Optimization of Energy Efficiency**

Implement energy-saving upgrades in the supply chain, including measures such as installing variable-frequency motors, conducting regular circuit inspections, and repairing malfunctions. We have set a target that, by 2028, all newly purchased production equipment will consume less electricity than comparable equipment available in the market, thereby reducing indirect greenhouse gas emissions from our operations through systematic actions.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## **Joint Promotion of Green Logistics**

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. In terms of transportation modes, increasing the proportion of “full-container-load (FCL)” transportation to replace “less-than-container-load (LCL)” transportation can significantly reduce the consumption of packaging materials and the generation of waste.

## **Waste Recycling**

We prioritise cooperation with factories holding recycled content standard certification to promote the application of recyclable materials in products. Over the next five years, we plan to ensure that approximately 80% of our products use recyclable packaging materials and encourage about 20% of our suppliers to adopt eco-friendly packaging, thereby leveraging economies of scale to reduce the long-term environmental impact of waste.

## **3. Craftsmanship**

CAROTE deeply integrates product quality, customer service and supply chain management into its sustainability practices, ensuring product safety and performance through a stringent end-to-end quality control system. At the same time, we are committed to working with our partners to build a transparent and sustainable supply chain, and to fulfilling our responsibilities to our customers and partners.

### **3.1. Strictly control product quality<sup>14</sup>**

CAROTE regards product quality as the cornerstone and lifeline of the sustainable development of the Company. We have established a quality management system covering the full lifecycle in strict compliance with the Product Quality Law of the People’s Republic of China and the requirements of applicable laws and regulations in each location where our businesses operate, and ensure the effective implementation of all standards through stringent process controls. During the reporting period, no significant quality issues occurred with our products.

We have established a quality control department with clearly defined responsibilities, where a professionally qualified quality inspection team is dedicated to overseeing quality throughout the entire process. The team is independent from the production and procurement processes and reports directly to the management to ensure the objectivity and authority of quality control.

We deeply embed quality control into the entire production cycle of contract manufacturers, covering the pre-production, production and post-production phases, so as to effectively ensure product quality and safety in use.

<sup>14</sup> Prospectus 210

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Full Lifecycle Quality Control*<sup>15</sup>

### **Pre-production Phase**

- **Sample testing:** Conduct comprehensive testing of product samples and retain reference samples prior to full-scale production, with a focus on verifying key performance parameters.
- **Hazard identification:** Proactively identify potential hazards, standardize quality criteria at the source, prevent quality deviations in mass production, and implement proactive risk management.

### **Production Phase**

- **Regular random sampling:** Testing core metrics such as non-stick properties, durability, wear resistance, packaging and drop performance;
- **Dynamic quality monitoring:** Issues are addressed immediately upon detection; the circulation of substandard work-in-progress is strictly prohibited; production may resume only after the root cause has been identified and rectified, ensuring consistent quality throughout the production process.

### **Post-production Phase**

- **Comprehensive inspection:** A dedicated quality control team conducts a comprehensive post-production inspection, covering appearance, coating, labeling, and various specialized performance tests;
- **Strict control of factory release standards:** Only products that are 100% compliant with standards are allowed into inventory; non-compliant items are isolated and traced back to the responsible party. Additionally, suppliers are required to provide quality inspection reports and third-party reports in accordance with the regulatory requirements of each country.

### **Continuous Improvement**

- Quarterly quality audits: inventory samples are randomly selected each quarter and submitted to an authoritative institution for testing;
- New production line testing: Conduct randomized quality tests on new production lines.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Product Warranty and Recycling Management*<sup>16</sup>

The Company has established a standardised product warranty and return and recycling system to responsibly manage the end of the product lifecycle. All products are covered by a one-year limited warranty from the date of purchase, which covers defects resulting from manufacturing defects. We will promptly address any issues through repair, replacement, or refund. For non-cookware products, contract manufacturers provide a 12-month warranty; for cookware products, the manufacturer shall be responsible for quality issues pursuant to the agreement.

In terms of returns management, the China market implements a 7- or 15-day no-questions-asked return policy, while overseas markets carry out return procedures in accordance with the rules of local online platforms. Returned products will be resold after evaluation or disposed of in accordance with environmental regulations. We continuously monitor the implementation of policies, guard against the risk of consumer misuse, and proactively adapt to changes in regulations across jurisdictions. As of the end of the reporting period, there were no product recalls, returns, product liability claims, or customer complaints that had a material adverse impact on the Company's business.

### **3.2. Customer Rights and Interests Protection and Services**

CAROTE has always adhered to a customer-centric philosophy, placing the protection of consumer rights and interests as its foremost priority, and is committed to providing customers with trustworthy products and experiences. We place a high priority on our customers' feedback, viewing it as a driving force for improvement, and we continuously strive to meet and exceed their expectations.

## *Data Security*<sup>17</sup>

The Company has established a data security governance structure with clearly defined responsibilities. As the data asset manager, the Information Department is responsible for formulating data security policies, systems and workflows, organising data security inspections and compliance supervision, and promoting the implementation of the Company's data security management requirements. Each relevant department, as the data owner of its own department, shall strictly comply with the requirements for data security protection, actively participate in the review, monitoring and problem-solving of data management work, and collaborate with the technical department to continuously improve the management processes.<sup>18</sup> In addition, the Company regularly conducts safety awareness training and risk self-assessments for all employees.

<sup>16</sup> Prospectus 53–54, 203, 246–247

<sup>17</sup> Prospectus 252

<sup>18</sup> GM-22 Data Security Management Measures (1)

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company, in compliance with national laws and regulations such as the Data Security Law and the Personal Information Protection Law, has formulated the Data Security Management Measures, and has established a sound data security management system. The management process covers the entire lifecycle of data, including its generation, storage, use, transmission, exchange and destruction.

**Data classification management:** Classifying data into different levels, with differentiated access and operation permissions assigned accordingly. In principle, sensitive data shall be used in desensitized form. Where the use of non-desensitized data is indeed necessary, authorization from the data owner department and approval from the Information Department shall be obtained.<sup>19</sup>

**Regular data security risk assessments:** With reference to international standards such as ISO/IEC 27005 and NIST SP 800–30, we carry out asset identification, threat identification, vulnerability assessment, risk analysis and quantification in sequence, formulate control measures based on the assessment results, and continuously monitor changes in risks.<sup>20</sup>

**Leveraging a trusted third-party platform:** Information sharing and order fulfilment are completed through the Jushuitan system, and Jushuitan has obtained ISO 27001 information security management system certification, ensuring that the data processing process is equipped with internationally recognised security protection.

## *Personal Privacy Protection*

The Company is committed to protecting the privacy and security of consumers' personal information and strictly complies with privacy protection laws and regulations, including the Personal Information Protection Law. The Company has formulated and implemented the Personal Information Protection Management Measures to specify the principles and measures for the collection, processing and use of personal information, and, together with a supporting data security policy, has established a comprehensive closed-loop institutional framework from privacy protection to security control. The processing of customers' personal information is subject to the dual constraints of Jushuitan's privacy policies and the Company's own data protection policy, forming multi-level privacy policy safeguards.

### **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.

<sup>19</sup> GM-22 Data Security Management Measures (1)

<sup>20</sup> GM-22 Data Security Management Measures (1)

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We have established a systematic security management system covering the entire lifecycle of personal information, including its collection, storage, use, transmission, provision and deletion.

## **Compliant collection<sup>21</sup>**

- Strictly adhere to the principles of lawfulness, legitimacy and necessity in the collection of personal information, collect information only to the minimum extent necessary for achieving business purposes, eliminate misleading or forced collection activities such as fraud and deception, and ensure that the source of information is traceable;
- Obtain valid consent from individuals in accordance with the law prior to data collection, clearly disclose the details of data processing, and fully safeguard the data subject's right to be informed and right to choose.

## **Safekeeping**

- Sensitive personal information shall, as a general principle, be subject to de-identification processing; where such processing is not practicable due to business needs, it shall be stored in encrypted form to reduce the risk of leakage at source;
- Storage periods are set to the minimum duration necessary to achieve business objectives. Outdated data is promptly cleaned up through technical means such as deletion and anonymization, and no data is retained arbitrarily, effectively safeguarding privacy rights and interests.

## **Proper Use and Transmission**

- Information is used strictly within the scope of individual consent. When processing sensitive information, de-identification is consistently applied. Any information that remains personal data after processing is managed in accordance with relevant regulations.
- By employing dedicated technical measures based on information categories and security levels, we ensure the confidentiality, integrity, and availability of information during transmission, thereby comprehensively mitigating the risk of leaks at every stage of the process.
- In principle, we do not provide personal information to external parties or disclose it publicly. Where this is indeed necessary for business operations and is lawful and compliant, we will inform the individual of the recipient information and obtain separate consent, and require the recipient to process such information strictly in accordance with the agreed purposes and methods.

## **Compliance in Cross-border Transfer**

- Personal information collected and generated during operations within China is stored strictly within China. Where it is necessary to transfer personal information overseas, we will do so in accordance with the law by undergoing security assessments organized by the national cyberspace administration, obtaining personal information protection certification, or entering into standard contractual clauses. For activities that have a significant impact on individual rights and interests such as the processing, entrusted processing, or disclosure of sensitive personal information, we conduct a personal information protection impact assessment in advance. The assessment reports are retained for at least three years to ensure that risks remain under control.

<sup>21</sup> GM-21 Personal Information Protection Management Measures

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *After-sales service*<sup>22</sup>

CAROTE has established a professional customer service management system and formed a dedicated in-house customer service team, with clearly defined core division of responsibilities. This team is dedicated to undertaking the entire after-sales process, including pre-sales consultation, after-sales feedback, product usage guidance, and returns and exchanges. At the same time, this team will collaborate with the product design and development department to form a cross-departmental coordination mechanism, ensuring the efficient implementation of our services. During the reporting period, the Company did not receive any significant customer complaints regarding products or after-sales services.

In terms of our service process, we actively engage with customers through multiple channels, such as email and live chat, to respond quickly to all inquiries and complaints. Customer service personnel record feedback in detail and conduct periodic summary analysis to identify product quality trends, customer preferences, and market demands. Once compiled, this information are shared with the product design and development department, forming a cross-departmental coordination mechanism, thereby driving the optimization of existing products and the development of new products to better align with customer expectations.

### **3.3. Supplier Management**<sup>23</sup>

Adhering to the philosophy of win-win cooperation, CAROTE integrates responsible procurement throughout the entire supply chain management process. We are committed to ensuring product quality while promoting the coordinated enhancement of our supply chain in the areas of environmental, social and governance, and working together towards a sustainable future.

Our suppliers primarily include contract manufacturers, e-commerce platforms, raw material suppliers, and logistics service providers. We have established a full-process supplier management system covering screening, collaboration and risk control.

#### **Screening**

1. Conduct a comprehensive evaluation of suppliers' manufacturing experience, equipment and production capacity, product quality, and market reputation to ensure that selected suppliers have a solid manufacturing foundation and reliable delivery capabilities.
2. Conduct on-site inspections for facilities of all potential suppliers to verify that their quality assurance systems meet the company's standards; only suppliers that pass the inspection will be included in the list.
3. Place a trial order with potential suppliers prior to formal collaboration to further verify their work quality and overall capabilities through actual production testing.

<sup>22</sup> Prospectus 246

<sup>23</sup> Prospectus 201, 262

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Cooperation

1. For each major product category, we engage multiple contract manufacturers simultaneously; for example, we maintain two to three primary suppliers for each cookware series to ensure sufficient production capacity and avoid reliance on a single supplier.

## Risk Management and Supply Stability

1. Provide technical guidance to suppliers to improve production efficiency and quality control, and assist in improving production processes to optimize resource utilization and product quality; we will station personnel at the manufacturing plant to oversee production operations and assist in resolving production-related issues.
2. Establish long-term, stable relationships with suppliers that meet our standards, and maintain the ability to switch suppliers quickly. In the event of an interruption in existing cooperative relationships or any quality anomalies in a particular series, we can promptly mobilise contract manufacturers that have produced other series to provide supplemental supply.

*Number of suppliers for 2023–2025*

	2023	2024	2025
Total number of suppliers (No.)	272	290	278 <sup>24</sup>

## Supply chain ESG management

We are committed to fully integrating ESG factors into our supply chain management and, through the establishment of systematic processes, promoting our suppliers to jointly enhance their sustainability performance. Led by the Procurement Department, in collaboration with the internal quality and compliance teams, we are jointly responsible for the coordination and implementation of supplier ESG management.

The Company has set green partner goals:

1. By 2028, newly purchased production equipment from contract manufacturers will consume less energy than all comparable market equipment;<sup>25</sup>
2. Within five years, the proportion of suppliers with recycled content standard certification will increase to 20%.<sup>26</sup>

<sup>24</sup> List of Information Required – Product Responsibility

<sup>25</sup> Prospectus 273

<sup>26</sup> Prospectus 271

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company has deeply integrated ESG concepts into its supply chain management, conducting comprehensive environmental, social and governance assessments on potential suppliers during the admission stage, and giving priority to partners with sound ESG credentials or those willing to pursue continuous improvement. The Company has formulated and implemented a Supplier Code of Conduct, setting out clear core expectations in respect of environmental protection, labour practices and business ethics. In addition, the Company conducts regular audits on its suppliers, with a focus on fair labour practices, business ethics and safe working conditions, to ensure their continued compliance with the Company's standards requirements.<sup>27</sup>

In the field of energy management, the Company requires 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 terms of improving resource efficiency, the Company requires manufacturers to strengthen quality control procedures to minimize defects and subsequent rework, thereby reducing raw material waste. The Company encourages contract manufacturers to install rainwater harvesting systems for use in production and cleaning processes, thereby promoting sustainable water use. At the same time, the adoption of wastewater treatment technologies is encouraged. This enables the recycling and reuse of water generated during production processes, strengthening water source protection.

The Company actively promotes supplier engagement and capacity building, collaborating with existing suppliers to provide the necessary training, resources, and support to help them improve their sustainability performance. We work with our suppliers to explore energy-saving measures and the use of eco-friendly materials, driving a reduction in the overall environmental footprint of our supply chain.

## 4. Shared Commitment & Shared Future

CAROTE is committed to fostering a safe and inclusive environment for the growth of its employees, while actively giving back to society and working hand in hand with all parties to jointly create and share the fruits of development, enabling every participant to realise value through sustainable development.

### 4.1. Protection of employee rights<sup>28</sup>

The Company strictly complies with the labour laws of the PRC and enters into standard labour contracts with all employees upon onboarding, clearly setting out the terms and conditions of employment. In terms of employee benefits, we participate in social insurance and housing provident fund scheme in accordance with the law, covering medical, pension, work-related injury, unemployment and maternity insurance. In 2025, the signing rate of labour contracts for full-time employees reached 100%.

The Company 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. In 2025, there were no violations of laws and regulations involving child labour or forced labour by the Company.

<sup>27</sup> Prospectus 262, 264

<sup>28</sup> Prospectus 255

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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, the Company maintains non-discriminatory practices to ensure that all employees and candidates have equal promotion and employment opportunities, and is committed to creating equal, diverse and supportive working environment for all employees.

## 4.2. Occupational health and safety

The Company is committed to creating a safe and healthy work environment. It conducts regular fire safety training to help employees acquire fire prevention knowledge and emergency response skills, thereby effectively reducing potential risks. At the same time, we organize anti-fraud campaigns and invite local law enforcement agencies to conduct crime prevention seminars to raise employees' awareness of safety precautions. As of the end of 2025, the Group recorded zero work-related fatalities or major personal injury incidents among employees or suppliers.

## 4.3. Career advancement

We place a high priority on our employees' ongoing learning and professional development, and have established a training system that covers all employees. The Human Resources Department is responsible for developing the annual training plan and budget, and for organizing the implementation of various training programs. We offer comprehensive training opportunities including on-boarding training, corporate culture training and technical competency training. 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>29</sup>

Training programs	Trainees	Training Content
On-boarding and Pre-job Training	New employees	Organize on-boarding and job-specific training to help new employees quickly adapt to the corporate culture and master the practical skills required for their roles.
Professional Competency	Supply chain management	Special training programs, covering professional training in areas such as procurement, planning, and quality inspection.
Product Training	Supply chain management center, global operations, product strategy and other departments	Product manufacturing processes, materials, and procedures, as well as the manufacturing processes and features of newly developed products.
Compliance Literacy	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	Introduce external training resources to develop customized management capability training programs.

<sup>29</sup> Prospectus-P184

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Promotion system and incentive measures*

We recognise that a competitive compensation and incentive system is the key to attracting and retaining talent. The Company offers competitive compensation packages and has established an annual bonus program. We offer special awards to employees who have demonstrated outstanding performance throughout the year to recognize their contributions.<sup>30</sup> The Company implements 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.

The Company has recognized the importance of offering competitive compensation packages to attract, motivate and retain talents. To this end, the Company has established an annual bonus scheme and implemented an awards system to recognize employees with outstanding annual performance.

## **4.4. Employee communication and care**

The Company establishes 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*

The Company strives to foster an open and transparent work environment where employees' voices are heard and their concerns are taken seriously. We have established an effective employee grievance and communication system to ensure that employees' legitimate rights and interests are fully protected. The Company sets up a dedicated mailbox, hr@mycarote.cn. All employees may use this channel to submit complaints, suggestions, or reports. In response to complaints from employees regarding unfair treatment at work, the Company will investigate the matter and arrange for communication and coordination to resolve the issue. If the Company decides to adopt and implement improvement suggestions submitted by employees, it will provide appropriate rewards based on the circumstances. The Company encourages employees to report potential compliance issues truthfully and pledges not to take any form of retaliatory action against whistleblowers acting in good faith.<sup>31</sup>

### *Employee care*

Our welfare programs include holiday celebrations, care activities for female employees and support measures for vulnerable groups. In addition, the Company expresses its gratitude for employees' long-term dedication by presenting thoughtful gifts to mark work anniversaries, offering holiday benefits during festive seasons, and distributing red envelopes and gifts to employees each quarter. These initiatives help foster a sense of warmth within the organization and continuously inspire employees' enthusiasm and sense of belonging.

<sup>30</sup> Prospectus 255

<sup>31</sup> HR-01-Employee Handbook 2.0

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 4.5. Community participation

Corporate social responsibility is one of the core values of our operations. The Company continues to make regular donations to public welfare organisations such as Alibaba Foundation, and such donations cover a wide range of areas including environmental protection, care for children, rural development and women's development.

	2023	2024	2025
Philanthropic donations total amount (RMB10,000)	24.19	23.80	27.78

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## APPENDIX TO THE REPORT

### Table of ESG KPIs

#### Governance

##### Metrics

	Unit	2025
Anti-corruption training hours	hours	2
Anti-corruption training hours for Directors and senior management	hours	2
Substantiated corruption-related legal cases involving the Company/ employees	cases	0

#### Environmental

##### Metrics

	Unit	2025
Consumption of purchased electricity	kWh	294,478
Gasoline consumption	litre	12,552.30
Diesel	litre	1,287
Natural gas	m <sup>3</sup>	0
Total GHG emissions	tCO <sub>2</sub> e	210.59
GHG emissions (Scope 1)	tCO <sub>2</sub> e	30.84
GHG emissions (Scope 2)	tCO <sub>2</sub> e	179.75

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Social

Metrics	Unit	2025
Number of suppliers	number	278
Percentage of total number of products sold or shipped recalled due to safety/health reasons	%	0
Total number of employees	person	257
Total number of female employees	person	168
Total number of male employees	person	89
Number of full-time employees	person	257
Number of part-time employees	person	0
number of employees – under 30 years old	person	166
number of employees – 30 to 50 years old	person	80
number of employees – over 50 years old	person	11
Number of work-related fatalities	person	0
Number of workdays lost due to occupational injuries	day	0
Employee turnover rate	%	9.7
Employee turnover rate – female	%	7
Employee turnover rate – male	%	2.7
Total employee training hours	hours	9,200
Average training hours per employee	hours	35
Average training hours for female employees	hours	54
Average training hours for male employees	hours	103
Average training hours for management	hours	104
Average training hours for general employees	hours	29
Percentage of employees receiving vocational training	%	88
Percentage of female employees receiving training	%	90
Percentage of male employees receiving training	%	92
Percentage of senior management receiving training	%	100
Percentage of middle management receiving training	%	100
Philanthropic donations	RMB '0,000	27.78

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Levels		Content Index	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.	2.3 Emissions control
	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.
	A1.3	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.	2.3 Emissions control
	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.	2.3 Emissions control

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Levels		Content Index	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. Improving 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. Improving 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. Improving 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. Improving Energy and Resource Efficiency

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Levels		Content Index	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

Levels		Content Index	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

Levels		Content Index	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 Strictly control 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 Rights and Interests Protection and Services
	B6.3	Description of practices related to observing and protecting intellectual property rights.	1.3 Intellectual property protection
	B6.4	Description of the quality assurance process and product recall procedures.	3.1 Strictly control product quality
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	3.2 Customer Rights and Interests Protection and Services

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Levels		Content Index	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.	1.2 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.	1.2 Anti-corruption and anti-commercial bribery  1.1 Business ethics and compliance management
	B7.3	Description of anti-corruption training provided to directors and staff.	1.2 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.	4.5 Community participation
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	4.5 Community participation
	B8.2	Resources contributed (e.g. money or time) to the focus area.	4.5 Community participation  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, 2025;
- 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, 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as 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**") as 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**"), as applicable to audits of financial statements of public interest entities. We have also 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 RMB1,617 million, representing 75.0% of our total revenue for the year ended December 31, 2025. 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 2025 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 and biographical details of directors and senior management prior to the date of this auditor’s report. The remaining other information, including directors’ report, chairman’s statement, management discussion and analysis, corporate governance report, environmental, social and 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 HKFRS Accounting Standards as 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 Leung Ying Hei (practising certificate number: P08018).

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, March 26, 2026

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Year ended December 31,	
		2025 RMB'000	2024 RMB'000
Revenue	5	2,156,671	2,073,251
Cost of sales	8	(1,471,254)	(1,237,854)
<b>Gross profit</b>		<b>685,417</b>	835,397
Selling expenses	8	(328,761)	(375,528)
Administrative expenses	8	(39,308)	(62,372)
Research and development expenses	8	(39,567)	(41,356)
Net impairment losses on financial assets	3.1	(4,382)	(161)
Other income	6	6,194	32,143
Other (losses)/gains – net	7	(12,918)	10,234
<b>Operating profit</b>		<b>266,675</b>	398,357
Finance income	10	48,521	19,160
Finance costs	10	(72)	(258)
<b>Finance income – net</b>		<b>48,449</b>	18,902
<b>Profit before income tax</b>		<b>315,124</b>	417,259
Income tax expense	12	(57,305)	(61,299)
<b>Profit for the year</b>		<b>257,819</b>	355,960
<b>Profit attributable to:</b>			
Owners of the Company		257,806	355,994
Non-controlling interests		13	(34)
		<b>257,819</b>	355,960
<b>Earnings per share attributable to the equity holders of the Company (in RMB)</b>			
Basic earnings per share	14	0.47	0.81
Diluted earnings per share	14	0.47	0.81

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended December 31,	
		2025 RMB'000	2024 RMB'000
<b>Profit for the year</b>		<b>257,819</b>	355,960
Other comprehensive (loss)/income:			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences on translation of foreign operations		<b>(3,867)</b>	2,839
<i>Item that will not be reclassified to profit or loss</i>			
Currency translation differences on translation of the Company		<b>(14,225)</b>	18,056
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<b>(18,092)</b>	20,895
<b>Total comprehensive income for the year</b>		<b>239,727</b>	376,855
Total comprehensive income attributable to:			
Owners of the Company		<b>239,714</b>	376,889
Non-controlling interests		<b>13</b>	(34)
		<b>239,727</b>	376,855

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	2025 RMB'000	2024 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	72,462	71,188
Right-of-use assets	16	1,672	3,678
Time deposits	21	187,981	183,727
Deferred tax assets	28	10,685	9,080
Other non-current assets	19	1,144	–
		<b>273,944</b>	267,673
<b>Current assets</b>			
Inventories	17	281,939	154,849
Trade receivables	18	205,907	85,774
Prepayments, other receivables and other current assets	19	93,634	28,554
Time deposits	21	753,970	766,010
Financial assets at fair value through profit or loss	20	–	36,243
Restricted cash	21	6,978	5,316
Cash and cash equivalents	21	281,769	377,332
		<b>1,624,197</b>	1,454,078
<b>Total assets</b>		<b>1,898,141</b>	1,721,751
<b>EQUITY</b>			
Share capital	22	1,985	1,985
Share premium	22	719,097	790,710
Treasury shares	22	(18,636)	–
Shares held for shares award scheme	22	(6)	(6)
Reserves	23	(237,037)	(221,040)
Retained earnings		941,917	684,111
		<b>1,407,320</b>	1,255,760
Non-controlling interests		(64)	(77)
<b>Total equity</b>		<b>1,407,256</b>	1,255,683

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at December 31,	
		2025 RMB'000	2024 RMB'000
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and bills payables	26	416,906	397,020
Other payables and accruals	27	25,732	27,287
Current income tax liabilities		45,797	37,633
Lease liabilities	16	1,050	4,128
Contract liabilities	5	1,400	–
		<b>490,885</b>	466,068
<b>Total liabilities</b>		<b>490,885</b>	466,068
<b>Total equity and liabilities</b>		<b>1,898,141</b>	1,721,751

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, 2026 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	Share	Shares held	Reserves	Retained	Total	Non-	Total
		capital	premium	award		earnings		controlling	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>As at January 1, 2024</b>		1,460	137,208	(6)	(244,115)	328,117	222,664	(43)	222,621
<b>Comprehensive income/(loss)</b>									
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
<b>Total comprehensive income/(loss)</b>		–	–	–	20,895	355,994	376,889	(34)	376,855
<b>Transaction with owners in their capacity as owners</b>									
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
<b>Transaction with owners in their capacity as owners</b>		525	653,502	–	2,180	–	656,207	–	656,207
<b>As at December 31, 2024</b>		1,985	790,710	(6)	(221,040)	684,111	1,255,760	(77)	1,255,683

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Note	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Shares held for shares		Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
			award RMB'000	Treasury shares RMB'000					
<b>As at January 1, 2025</b>	1,985	790,710	(6)	-	(221,040)	684,111	1,255,760	(77)	1,255,683
<b>Comprehensive (loss)/ income</b>									
Profit for the year	-	-	-	-	-	257,806	257,806	13	257,819
Currency translation differences on translation of foreign operations	-	-	-	-	(3,867)	-	(3,867)	*	(3,867)
Currency translation differences on translation of the Company	-	-	-	-	(14,225)	-	(14,225)	-	(14,225)
<b>Total comprehensive (loss)/ income</b>	-	-	-	-	(18,092)	257,806	239,714	13	239,727
<b>Transaction with owners in their capacity as owners</b>									
Acquisition of treasury shares	22	-	-	(18,636)	-	-	(18,636)	-	(18,636)
Dividend distribution to shareholders	13	-	(71,613)	-	-	-	(71,613)	-	(71,613)
Share-based payment	24	-	-	-	2,095	-	2,095	-	2,095
<b>Transaction with owners in their capacity as owners</b>		-	(71,613)	(18,636)	2,095	-	(88,154)	-	(88,154)
<b>As at December 31, 2025</b>	1,985	719,097	(6)	(18,636)	(237,037)	941,917	1,407,320	(64)	1,407,256

\*: 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

	Note	Year ended December 31,	
		2025 RMB'000	2024 RMB'000
<b>Cash flows from operating activities</b>			
Net cash (used in)/generated from operations	29	(13,800)	402,134
Interest received from cash at banks	10	10,054	7,799
Income taxes paid		(50,746)	(59,706)
<b>Net cash (used in)/generated from operating activities</b>		<b>(54,492)</b>	350,227
<b>Cash flows from investing activities</b>			
Proceeds from sales of property, plant and equipment	29	–	118
Payments for property, plant and equipment and prepayment for intangible assets		(6,322)	(68,998)
Proceeds from time deposits		748,100	288,200
Payments for time deposits		(753,880)	(1,064,091)
Interest received from time deposits		34,388	6,614
Proceeds from disposal of financial assets at fair value through profit or loss	3.3	37,054	–
Payments for financial assets at fair value through profit or loss	3.3	–	(35,945)
Repayment of loans to related parties	32	–	7
<b>Net cash generated from/(used in) investing activities</b>		<b>59,340</b>	(874,095)
<b>Cash flows from financing activities</b>			
Acquisition of treasury shares		(18,636)	–
Proceeds from issuance of shares upon global offering and over-allotment option		–	762,038
Repayment of borrowings		–	(5,000)
Interest paid on borrowings		–	(83)
Payments for listing expenses		–	(7,793)
Principal payments and interest paid of lease liabilities	16	(3,208)	(1,108)
Dividend paid to the then shareholders	13	(71,613)	(100,000)
<b>Net cash (used in)/generated from financing activities</b>		<b>(93,457)</b>	648,054
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(88,609)</b>	124,186
Cash and cash equivalents at beginning of the year	21	377,332	236,064
Effects of exchange rate changes on cash and cash equivalents		(6,954)	17,082
<b>Cash and cash equivalents at end of the year</b>	21	<b>281,769</b>	377,332

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

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, 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, as well as through wholesale distribution channels.

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, 2026.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 BASIS OF PREPARATION

### (i) Compliance with HKFRS Accounting Standards 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.

HKFRS Accounting Standards comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards,
- Hong Kong Accounting Standards, and
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants.

### (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 and amended standard adopted by the Group

An amended standard became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting this standard.

		<b>Effective for annual periods beginning on or after</b>
HKAS 21 (Amendments)	Lack of Exchangeability	January 1, 2025

# 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:

		<b>Effective for annual periods beginning on or after</b>
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 and amendment	Subsidiaries without public accountability: disclosures	January 1, 2027
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new and amended standards and has concluded on a preliminary basis that adoption of these new and amended standards is not expected to have significant impacts on the performance and positions of the Group when they become effective, except that the presentation of the consolidated statement of profit or loss may be amended to reflect the new requirements under HKFRS 18. The Group is currently analyzing the new requirements and assessing the impact of HKFRS 18. The new standard is not expected to have any impact on the Group's results of operations and financial position but has impact on the presentation and disclosure of the Group's financial statements.

HKFRS 18 will replace HKAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 BASIS OF PREPARATION (Continued)

### (iv) New and amended standards and interpretations not yet adopted (Continued)

From the high-level preliminary assessment performed, the following potential impacts have been identified:

Although the adoption of HKFRS 18 will have no impact on the Group's net profit, the Group expects that grouping items of income and expenses in the statement of profit or loss into the new categories will impact how operating profit is calculated and reported. From the high-level impact assessment that the Group has performed, the following items might potentially impact operating profit:

- Foreign exchange differences currently aggregated in the line item 'other (losses)/gains – net' in operating profit might need to be disaggregated, with some foreign exchange gains or losses presented below operating profit.

The line items presented on the primary financial statements might change as a result of the application of the concept of 'useful structured summary' and the enhanced principles on aggregation and disaggregation.

The Group does not expect there to be a significant change in the information that is currently disclosed in the notes because the requirement to disclose material information remains unchanged, however, the way in which the information is grouped might change as a result of the aggregation/disaggregation principles. In addition, there will be significant new disclosures required for:

- management-defined performance measures;
- a break-down of the nature of expenses for line items presented by function in the operating category of the statement of profit or loss – this break-down is only required for certain nature expenses; and
- for the first annual period of application of HKFRS 18, a reconciliation for each line item in the statement of profit or loss between the restated amounts presented by applying HKFRS 18 and the amounts previously presented applying HKAS 1.

From a cash flow statement perspective, there will be a change to how interest received is presented. Interest received will be presented as investing cash flows, which is a change from current presentation as part of operating cash flows.

The Group will apply the new standard from its mandatory effective date of January 1, 2027. Retrospective application is required, and so the comparative information for the financial year ending December 31, 2026 will be restated in accordance with HKFRS 18.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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.

#### (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.

As at December 31, 2025, 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 RMB35,644,000 lower/higher (December 31, 2024: RMB25,066,000 lower/higher), mainly as a result of net foreign exchange losses/gains on translation of US\$ denominated cash and cash equivalents and trade receivables.

##### (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 and the fair value interest-rate risk is insignificant. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

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

##### (ii) *Cash flow and fair value interest rate risk (Continued)*

As at December 31, 2025, 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 RMB289,000 lower/higher (December 31, 2024: RMB383,000 lower/higher).

##### (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, 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 and time deposits, the Group only transacts with state-owned or reputable financial institutions which are all high-credit quality financial institutions all over the world. There has been no recent history of default in relation to these financial institutions.

To manage the risk arising from trade receivables and other receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. Trade receivables have been grouped based on shared credit risk characteristics and aging to measure the expected credit losses. Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences incorporating forward-looking information.

# 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

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.

##### *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.

For trade receivable balances with objective evidence of impairment and significant different credit risk characteristics, individual provision was made based on the present value of the difference between contractual cashflows and the cash flows that were expected to be received, with the considerations on current and future economic situations.

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.

# 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)*

Impaired trade receivables include:

Individual basis: customers with objective evidence of impairment and significant different credit risk characteristics

Collective basis: customers with similar credit risk characteristics

On that basis, the loss allowance as at December 31, 2025 and 2024 was determined as follows for trade receivables:

	<b>Gross carrying amount</b> RMB'000	<b>Expected credit loss rate</b>	<b>Loss allowance</b> RMB'000
<b>As at December 31, 2025</b>			
– individual basis	3,922	100.00%	(3,922)
– collective basis	206,576	0.32%	(669)
	<b>210,498</b>	<b>2.18%</b>	<b>(4,591)</b>
<b>As at December 31, 2024</b>			
– collective basis	86,023	0.29%	(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)

On that basis, the loss allowance of collective basis as at December 31, 2025 and 2024 was determined as follows for trade and notes 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, 2025</b>						
Expected loss rate	0.24%	8.69%	59.52%	100.00%	–	N/A
Gross carrying amount – trade receivables (RMB'000)	205,179	1,312	42	43	–	206,576
Loss allowance (RMB'000)	(487)	(114)	(25)	(43)	–	(669)
<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)

The loss allowances for trade receivables as at December 31, 2025 and 2024 reconcile to the opening loss allowances as follows:

	Year ended December 31,	
	2025	2024
Opening loss allowance at January 1,	249	100
Credit losses allowance recognized, net	4,342	149
Closing loss allowance at December 31,	4,591	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)

###### Other receivables

The loss allowance for other receivables as at December 31, 2025 and 2024 reconciles to the opening loss allowance as follows:

	Year ended December 31,	
	2025 RMB'000	2024 RMB'000
Opening loss allowance at January 1,	26	14
Credit losses allowance recognized, net	40	12
Closing loss allowance at December 31,	66	26

#### (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, 2025					
Trade and bills payables (Note 26)	416,906	–	–	416,906	416,906
Other payables and accruals (excluding payroll and welfare payables and other tax payables) (Note 27)	3,143	–	–	3,143	3,143
Lease liabilities (Note 16)	1,050	–	–	1,050	1,050
	421,099	–	–	421,099	421,099

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (c) Liquidity risk (Continued)

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000	Carrying amount liabilities RMB'000
At December 31, 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

### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.3 Fair value estimation

#### (a) Fair value hierarchy

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

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

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

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

The following table presents the Group's assets and liabilities using fair value estimation as at December 31, 2025 and 2024:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At December 31, 2025				
Financial assets at fair value through profit or loss	–	–	–	–
	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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.3 Fair value estimation (Continued)

#### (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, 2025 and 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.

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

	Financial assets at FVPL RMB'000
As at January 1, 2025	36,243
Disposals	(37,054)
Fair value gains (Note 7)	811
<hr/>	
As at December 31, 2025	–
<hr/>	
Includes unrealized gains recognized in profit or loss attributable to balances held as at December 31, 2025	–
<hr/>	
As at January 1, 2024	–
Additions	35,945
Fair value gains (Note 7)	298
<hr/>	
As at December 31, 2024	36,243
<hr/>	
Includes unrealized gains recognized in profit or loss attributable to balances held as at December 31, 2024	298
<hr/>	

# 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) (Continued)

Further details of financial assets at FVPL for the year ended December 31, 2025 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, 2025 and 2024.

## 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,	
	2025 RMB'000	2024 RMB'000
America	1,579,405	1,377,318
Mainland China	347,413	308,745
Japan	112,727	93,704
Southeast Asia	30,559	56,942
Western Europe	22,000	157,172
Others	64,567	79,370
	<b>2,156,671</b>	<b>2,073,251</b>

# 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,	
	2025 RMB'000	2024 RMB'000
– Online sales, business through third-party e-commerce platforms to individuals	1,617,283	1,773,762
– Wholesale distribution	403,825	86,850
– Original design manufacturer business	135,563	212,639
	<b>2,156,671</b>	<b>2,073,251</b>

### (c) Revenue from major customers

Revenue from a major customer which individually contributed over 10% or more of the total revenue of the Group during the years ended December 31, 2025 and 2024 is set out below:

	Year ended December 31,	
	2025 RMB'000	2024 RMB'000
Customer A	238,375	*

\* The customer contributed less than 10% of total revenue for the corresponding year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5 SEGMENT INFORMATION (Continued)

### (d) Contract liabilities

The Group recognised the following contract liabilities related to the contracts with customers as at December 31, 2025 and 2024:

	As at December 31,	
	2025 RMB'000	2024 RMB'000
Contract liabilities	1,400	–

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods to the customer).

### (e) 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.

For sales to end customers through third-party e-commerce platforms, the Group recognises revenue when the goods are delivered to the customer's designated location and accepted by the customers.

For direct sales to wholesalers, control is considered to be transferred at the point in time when the products have been delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery has occurred when the products have been shipped to the specific location based on the agreed shipping terms, the risks of obsolescence and loss have been transferred to the wholesaler, and the wholesaler has accepted the goods.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5 SEGMENT INFORMATION (Continued)

### (e) 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,	
	2025 RMB'000	2024 RMB'000
Government grants (i)	6,194	31,763
Others	–	380
	<b>6,194</b>	<b>32,143</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 (LOSSES)/GAINS – NET

	Year ended December 31,	
	2025 RMB'000	2024 RMB'000
Net foreign exchange (losses)/gains	(13,010)	9,555
Net fair value gains on financial assets at fair value through profit or loss	811	298
Net loss on disposal of property, plant and equipment	–	(3)
Others	(719)	384
	<b>(12,918)</b>	<b>10,234</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,	
	2025 RMB'000	2024 RMB'000
Cost of inventories sold	1,059,552	882,228
Raw materials and consumables used	36,265	39,960
Freight and storage expenses	404,558	350,526
Commission to e-commerce platforms	255,974	269,352
Marketing and advertising expenses	49,091	84,149
Employee benefit expenses (Note 9)	38,761	35,463
Legal and professional fees	8,016	4,319
Depreciation of property, plant and equipment (Note 15)	3,786	3,029
Auditors' remuneration – Audit services	2,692	2,170
Office expenses	2,299	1,737
Depreciation of right-of-use assets (Note 16)	2,006	3,227
Short-term leases expense (Note 16)	58	290
Listing expenses	–	26,955
Others	15,832	13,705
	<b>1,878,890</b>	<b>1,717,110</b>

## 9 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31,	
	2025 RMB'000	2024 RMB'000
Salaries and wages	26,855	22,680
Discretionary bonuses	4,807	6,159
Pension obligations	2,756	1,912
Housing funds, medical insurances and other social insurances	2,068	2,030
Share-based payment expenses (Note 24)	2,095	2,180
Other employee benefits	180	502
	<b>38,761</b>	<b>35,463</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, 2025 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, 2025 include 2 (2024: 2) directors, whose emoluments is disclosed in the Note 33. The emoluments payable to the 3 (2024: 3) individuals for the years ended December 31, 2025 and 2024 are as follows:

	Year ended December 31,	
	2025 RMB'000	2024 RMB'000
Salaries and wages	547	540
Discretionary bonuses	880	880
Pension obligations	29	19
Housing funds, medical insurances and other social insurances	45	20
Share-based payment expenses	1,702	1,771
	<b>3,203</b>	<b>3,230</b>

# 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,	
	2025	2024
Emolument bands (in HKD)		
Nil – 1,000,000	1	1
1,000,001–1,500,000	2	2
	3	3

## 10 FINANCE INCOME, NET

	Year ended December 31,	
	2025 RMB'000	2024 RMB'000
<b>Finance income:</b>		
Interest income on cash at banks	10,054	7,799
Interest income on time deposits	38,467	11,361
<b>Finance income</b>	<b>48,521</b>	19,160
<b>Finance costs:</b>		
Interest expenses on borrowings	–	(79)
Interest expenses on lease liabilities (Note 16)	(72)	(179)
	(72)	(258)
<b>Finance income, net</b>	<b>48,449</b>	18,902

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 11 SUBSIDIARIES

The group's principal subsidiaries at December 31, 2025 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		Ownership interest held by non-controlling interests	
				As at December 31,		As at December 31,	
				2025	2024	2025	2024
<b>Directly held:</b>							
Carote Group	Hong Kong/ March 7, 2023	Investment holding, in Hongkong	USD100,000	100%	100%	–	–
<b>Indirectly held:</b>							
Zhejiang Carote	The PRC/ April 28, 2007	Procurement and sales of kitchenware, in the PRC	RMB25,200,000	100%	100%	–	–
Hangzhou Carote Trading Co., Ltd 杭州卡羅特商貿有限公司	The PRC/ January 30, 2019	Procurement and sales of kitchenware, in the PRC	RMB65,000,000	100%	100%	–	–
Zhejiang Gangsheng Trading Co., Ltd. 浙江港升貿易有限公司	The PRC/ March 17, 2025	Procurement and sales of kitchenware, in the PRC	RMB10,000,000	100%	N/A	–	–
Carote Global Limited (“Carote Global”)	Hong Kong/ November 30, 2020	Procurement and sales of kitchenware, in Hongkong	USD100,000	100%	100%	–	–
Carote Kitchenware Co., Ltd 力口一テ株式會社	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 Hongkong	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

## 11 SUBSIDIARIES (Continued)

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.

## 12 INCOME TAX EXPENSE

	Year ended December 31,	
	2025 RMB'000	2024 RMB'000
Current tax on profits for the year	58,910	63,817
Deferred income tax ( <i>Note 28</i> )	(1,605)	(2,518)
<b>Income tax expense</b>	<b>57,305</b>	61,299

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% (2024: 8.25%) on assessable profits up to HK\$2,000,000 and 16.5% (2024: 16.5%) on any part of assessable profits over HK\$2,000,000 for the year ended December 31, 2025.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 12 INCOME TAX EXPENSE (Continued)

### (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% (2024: 21% and 8.84%) respectively for the year ended December 31, 2025.

### (d) Japan income tax

Enterprises incorporated in Japan are subject to income tax rate at the state level of 23.2% (2024: 23.2%) during the year ended December 31, 2025.

### (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% (2024: 17%) on the assessable profits of the subsidiaries in accordance with Singapore tax laws and regulations for the year ended December 31, 2025.

### (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, and further obtained approval for renewal of the qualification for an additional three-year period commencing 2025. Accordingly, Zhejiang Carote was entitled to a preferential income tax rate of 15% (2024: 15%) during the year ended December 31, 2025.

During the years ended December 31, 2025 and 2024, an additional 100% of qualified research and development expenses incurred was allowed to be deducted from taxable income under the Mainland China Income Tax Law and its relevant regulations.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 12 INCOME TAX EXPENSE (Continued)

### (g) PRC withholding income tax

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

Unremitted earnings on which deferred income tax liabilities have not been recognised totalled RMB620,044,000 as at December 31, 2025 (December 31, 2024: RMB416,836,000) as the directors have confirmed that the Group does not expect the PRC subsidiaries to distribute the abovementioned retained earnings in the foreseeable future.

- (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,	
	2025 RMB'000	2024 RMB'000
Profit before taxation	315,124	417,259
Tax calculated at statutory tax rates applicable to each group entity	74,455	103,071
Preferential tax rate	(18,338)	(40,907)
Expenses not deductible for tax purpose	568	697
Super deduction for research and development expenses	(2,924)	(3,102)
Tax losses for which no deferred income tax asset was recognized	3,860	2,223
Previously unrecognized tax losses now recognized or recouped to reduce current tax expense	(316)	(683)
Income tax expense	57,305	61,299

## 13 DIVIDENDS

Pursuant to the resolution of the shareholders' meeting of the Company held on May 30, 2025, dividends of HKD78,144,366, out of share premium of the Company, were approved to be paid to the shareholders of the Company. The dividends of HKD78,144,366 (equivalent to approximately RMB71,613,000) were paid in cash on August 1, 2025.

A proposed final dividend in respect of the year ended December 31, 2025 of HKD0.1419 per ordinary share, amounting to a total dividend of approximately RMB68,839,000 is to be presented for approval by the shareholders at the annual general meeting of the Company on May 29, 2026. 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, 2025 and 2024 are calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the years ended December 31, 2025 and 2024.

	Year ended December 31,	
	2025 RMB'000	2024 RMB'000
Profit attributable to the ordinary equity holders of the Company (RMB'000)	257,806	355,994
Weighted average number of ordinary shares in issue	551,653,684	439,700,343
Basic earnings per share (expressed in RMB per share)	0.47	0.81

### (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, 2025 and 2024, the Company's dilutive potential ordinary shares include share awards granted to employees. As the share awards are issuable upon the satisfaction of specified performance condition, as of December 31, 2024, the condition has met. As of December 31, 2025, the condition has met, the calculation of diluted earnings per share is shown as below:

	Year ended December 31,	
	2025 RMB'000	2024 RMB'000
Profit attributable to the ordinary equity holders of the Company (RMB'000)	257,806	355,994
Weighted average number of ordinary shares in issue	551,653,684	439,700,343
Adjustments for share awards	859,648	558,778
Weighted average number of ordinary shares for diluted earnings per share	552,513,332	440,259,121
Diluted earnings per share (expressed in RMB per share)	0.47	0.81

# 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, 2024</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
<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

# 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, 2025</b>						
Opening net book amount	3,644	88	4,126	147	63,183	71,188
Additions	–	–	864	–	4,196	5,060
Depreciation charge (Note 8)	(1,339)	(24)	(2,405)	(18)	–	(3,786)
Transfer	66,108	–	–	–	(66,108)	–
Closing net book amount	68,413	64	2,585	129	1,271	72,462
<b>As at December 31, 2025</b>						
Cost	72,237	250	11,661	370	1,271	85,789
Accumulated depreciation	(3,824)	(186)	(9,076)	(241)	–	(13,327)
Net book amount	68,413	64	2,585	129	1,271	72,462

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

	<b>Year ended December 31,</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
Administrative expenses	3,758	3,013
Research and development expenses	28	16
	<b>3,786</b>	3,029

# 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 is stated at cost less impairment losses. Cost comprises direct costs 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,	
	2025	2024
	RMB'000	RMB'000
<b>Right-of-use assets</b>		
Warehouse	1,672	3,678
<b>Lease liabilities</b>		
Current	1,050	4,128

Additions to right-of-use assets during the years ended December 31, 2025 and 2024 were nil.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 16 LEASES (Continued)

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

	Year ended December 31,	
	2025 RMB'000	2024 RMB'000
Depreciation charge of right-of-use assets ( <i>Note 8</i> )		
Warehouse	2,006	2,006
Office	–	1,221
	<b>2,006</b>	3,227
Interest expenses on lease liabilities ( <i>Note 10</i> )	72	179
Expense relating to short-term leases (included in cost of sales and administrative expenses) ( <i>Note 8</i> )	58	290
	<b>2,136</b>	3,696

The total cash outflow for leases for the year ended December 31, 2025 was approximately RMB3,208,000 (December 31, 2024: RMB1,108,000).

## 17 INVENTORIES

	As at December 31,	
	2025 RMB'000	2024 RMB'000
Finished goods	279,193	152,554
Raw materials and parts	2,746	2,295
Less: provision for inventories	–	–
	<b>281,939</b>	154,849

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

Inventories recognized as an expense during the year ended December 31, 2025 amounted to RMB1,066,696,000 (December 31, 2024: RMB887,328,000). These were included in cost of sales.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 18 TRADE RECEIVABLES

	As at December 31,	
	2025 RMB'000	2024 RMB'000
Trade receivables	210,498	86,023
Less: allowance for impairment ( <i>Note 3.1</i> )	(4,591)	(249)
<b>Total</b>	<b>205,907</b>	<b>85,774</b>

### (i) Aging analysis of trade receivables

As at December 31, 2025 and 2024, the aging analysis of trade receivables based on invoice date, is as follows:

	As at December 31,	
	2025 RMB'000	2024 RMB'000
Less than 3 months	205,179	79,368
3 months to 6 months	1,312	6,483
6 months to 9 months	1,024	86
9 months to 12 months	1,355	86
Above 1 year	1,628	–
	<b>210,498</b>	<b>86,023</b>

### (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.

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

	As at December 31,	
	2025 RMB'000	2024 RMB'000
Other receivables		
– Export tax refundable	19,873	11,256
– Refundable deposits	20,275	7,007
– Due from related parties (Note 32)	350	350
– Others	487	444
	40,985	19,057
Less: provision for impairment (Note 3.1)	(66)	(26)
	40,919	19,031
Prepayments		
– Prepayments to suppliers	5,029	–
Input VAT to be deducted	47,686	9,523
Total	93,634	28,554
Other non-current assets		
– Prepayment for purchase of Intangible assets	1,144	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 19 PREPAYMENTS, OTHER RECEIVABLES, AND OTHER NON-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 NON-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.

### (a) Other receivables

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 31,2025</b>				
Gross carrying amount (RMB'000)	40,985	–	–	40,985
Loss allowance (RMB'000)	(66)	–	–	(66)
Expected credit loss rate	0.16%	–	–	N/A
<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

# 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:

	<b>As at December 31,</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	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:

	<b>Year ended December 31,</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
Fair value gains on financial assets at FVPL recognized in other gains ( <i>Note 7</i> )		
– realized	<b>811</b>	–
– unrealized	–	298
	<b>811</b>	298

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 21 CASH AND BANK BALANCES

	As at December 31,	
	2025 RMB'000	2024 RMB'000
Cash and bank balances	<b>1,230,698</b>	1,332,385
Less: restricted cash (ii)	<b>(6,978)</b>	(5,316)
Less: time deposits (iii)	<b>(941,951)</b>	(949,737)
Cash and cash equivalents	<b>281,769</b>	377,332

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

	As at December 31,	
	2025 RMB'000	2024 RMB'000
– USD	<b>961,917</b>	1,076,974
– RMB	<b>252,244</b>	237,105
– HKD	<b>6,243</b>	2,274
– JPY	<b>5,595</b>	8,091
– AUD	<b>777</b>	2
– GBP	<b>654</b>	756
– INR	<b>577</b>	1,436
– IDR	<b>475</b>	3,446
– PHP	<b>471</b>	797
– EUR	<b>414</b>	1,398
– Others	<b>1331</b>	106
	<b>1,230,698</b>	1,332,385

(ii) The Group's restricted cash comprised:

	As at December 31,	
	2025 RMB'000	2024 RMB'000
Bank balances		
– Pledged for bank acceptance notes issuance (Note 26)	<b>6,978</b>	5,316

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 21 CASH AND BANK BALANCES (Continued)

- (iii) The restricted long-term bank time deposits with an amount of RMB187,981,000 as at December 31, 2025 (as at December 31, 2024: short-term time deposits of RMB21,788,000 and long-term time deposits of RMB183,727,000 respectively) were 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 January 1, 2024	25,000,000	250,000
Share subdivision (a)	475,000,000	–
Addition (c)	1,500,000,000	750,000
As at December 31, 2025 and 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	Treasury shares RMB'000	Shares held for shares award scheme RMB'000
<b>Issued</b>						
As at January 1, 2024	20,282,930	203	1,460	137,208	–	(6)
Share subdivision (a)	385,375,670	–	–	–	–	–
Dividend distribution to the shareholders (b)	–	–	–	(100,000)	–	–
Issuance of shares upon global offering and over-allotment option (d)	149,344,000	75	525	753,502	–	–
As at December 31, 2024	555,002,600	278	1,985	790,710	–	(6)
As at January 1, 2025	<b>555,002,600</b>	<b>278</b>	<b>1,985</b>	<b>790,710</b>	–	<b>(6)</b>
Acquisition of treasury shares (e)	<b>(4,201,500)</b>	–	–	–	<b>(18,636)</b>	–
Dividend distribution to the shareholders (f)	–	–	–	<b>(71,613)</b>	–	–
As at December 31, 2025	<b>550,801,100</b>	<b>278</b>	<b>1,985</b>	<b>719,097</b>	<b>(18,636)</b>	<b>(6)</b>

- (a) On February 29, 2024, pursuant to the resolution passed by the shareholders of the Company, each share of a nominal or par value of US\$0.01 share capital of the Company was subdivided into 20 shares of a nominal or par value of US\$0.0005 each. The Company's authorized share capital became US\$250,000 divided into 500,000,000 shares of a nominal or par value of US\$0.0005 each. 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).
- (b) 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.
- (c) 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(d) 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.

(e) During the years ended December 31, 2025, the Company repurchased an aggregate number of 4,201,500 of its own shares from the market, which had not been cancelled as at December 31, 2025. The shares were repurchased at prices ranging from HK\$3.73 to HK\$5.25 per share.

(f) On May 30, 2025, pursuant to the resolution of the annual general meeting held, dividends of HKD78,144,366 (equivalent to RMB71,613,000) were approved by the Company to its shareholders. All dividend has been paid in cash on August 1, 2025.

## 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, 2024</b>		(265,366)	1,598	15,000	4,653	(244,115)
Share-based payment	24	–	2,180	–	–	2,180
Other currency translation differences		–	–	–	20,895	20,895
<b>As at December 31, 2024</b>		(265,366)	3,778	15,000	25,548	(221,040)
<b>As at January 1, 2025</b>		(265,366)	3,778	15,000	25,548	(221,040)
Share-based payment	24	–	2,095	–	–	2,095
Other currency translation differences		–	–	–	(18,092)	(18,092)
<b>As at December 31, 2025</b>		(265,366)	5,873	15,000	7,456	(237,037)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 24 SHARE-BASED PAYMENT

Share-based payment expenses were recognized in profit or loss for the years ended December 31, 2025 and 2024 as follows:

	Year ended December 31,	
	2025 RMB'000	2024 RMB'000
Selling expenses	1,571	1,635
Administrative expenses	524	545
	<b>2,095</b>	2,180

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 which was completed in October 2023. The Luoqin Enterprise and Carote CM Limited Partnership are controlled and managed at the discretion of the Company and therefore are consolidated accordingly in the Group’s financial statements. The terms of the Legacy Plan are substantially the same as the terms of the PRC Plan. The replacement of the PRC Plan with the Legacy Plan and the revocation of the original PRC Plan was viewed as having no accounting impacts as the terms of the PRC Plan had remained effective throughout and there is essentially no change but merely just the change to the form of the plan due to the reorganization.

Under the PRC Plan, the Incentive Targets were granted shares with grant price of RMB3.4 per unit capital of Zhejiang Carote in April 2023. During the reorganization, the above share grants were converted into 80,000 shares of the Company issued to Carote CM Limited Partnership. All the shares granted are vested from the date of fulfilling the service and performance conditions being 12 months, 24 months or 36 months after the Company is listed, as prescribed in the Legacy Plan. If an employee ceased to be employed by the Group within this period, the awarded shares would be forfeited, and the forfeited shares would be purchased back by Mr. Zhang Guodong 章國棟 (“**Mr. Zhang**”) or other parties appointed by the Company (including the Company) at the price prescribed in the Legacy Plan.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 24 SHARE-BASED PAYMENT (Continued)

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 the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "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:

	<b>Number of restricted shares</b>	<b>Weighted average grant date fair value</b> RMB
As at January 1, 2024	80,000	103.15
Share subdivision ( <i>Note 22 (a)</i> )	1,520,000	–
As at December 31, 2025 and 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,	
	2025 RMB'000	2024 RMB'000
<b>Financial assets</b>		
Financial assets at amortized cost:		
– Trade receivables (Note 18)	205,907	85,774
– Other receivables (Note 19)	40,919	19,031
– Cash and cash equivalents (Note 21)	281,769	377,332
– Restricted cash (Note 21)	6,978	5,316
– Time deposits (Note 21)	941,951	949,737
– Financial assets at FVPL (Note 20)	–	36,243
	<b>1,477,524</b>	1,473,433
<b>Financial liabilities</b>		
Liabilities at amortized cost:		
– Trade and bills payables (Note 26)	416,906	397,020
– Other payables and accruals (excluding payroll and welfare payables, other taxes payables) (Note 27)	3,143	3,854
– Lease liabilities (Note 16)	1,050	4,128
	<b>421,099</b>	405,002

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,	
	2025 RMB'000	2024 RMB'000
Trade payables	183,656	147,230
Bills payables	233,250	249,790
	<b>416,906</b>	397,020

# 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 and restricted cash (Note 21).

As at December 31, 2025 and 2024, the aging analysis of the trade and bills payables based on invoice date was as follows:

	As at December 31,	
	2025 RMB'000	2024 RMB'000
Within 3 months	309,960	212,389
Between 3 months and 1 year	106,587	184,263
Over one year	359	368
	<b>416,906</b>	<b>397,020</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,	
	2025 RMB'000	2024 RMB'000
Other taxes payables	15,750	17,450
Payroll and welfare payables	6,839	5,983
Accrued audit services	1,305	2,010
Accrued freight expenses	753	1,265
Others	1,085	579
	<b>25,732</b>	<b>27,287</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 DEFERRED INCOME TAX

	As at December 31,	
	2025 RMB'000	2024 RMB'000
Deferred income tax assets:		
– to be recovered within 12 months	10,936	9,632
– to be recovered after more than 12 months	–	–
Total deferred tax assets	10,936	9,632
Net-off with deferred tax liabilities	(251)	(552)
Net deferred income tax assets	10,685	9,080
Deferred income tax liabilities:		
– to be settled within 12 months	251	484
– to be settled after more than 12 months	–	68
Total deferred tax liabilities	251	552
Net-off with deferred tax assets	(251)	(552)
Net deferred income tax liabilities	–	–

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, 2024	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
Credited/(Charged) to profit or loss	725	(462)	(1,816)	2,857	1,304
As at December 31, 2025	767	157	457	9,555	10,936

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 28 DEFERRED INCOME TAX (Continued)

### Deferred income tax liabilities:

	<b>Right-of-use assets</b>
	RMB'000
As at January 1, 2024	1,036
Credited to profit or loss	(484)
<hr/>	
As at December 31, 2024	552
<hr/>	
Charged to profit or loss	<b>(301)</b>
<hr/>	
As at December 31, 2025	<b>251</b>

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

	<b>As at December 31,</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
Tax losses expiring within 1 year	<b>2,395</b>	–
Tax losses expiring between 1–2 years	<b>464</b>	2,503
Tax losses expiring between 2–3 years	<b>2,519</b>	812
Tax losses expiring between 3–4 years	<b>8,704</b>	2,776
Tax losses expiring over 4 years	<b>28,857</b>	19,397
<hr/>		
	<b>42,939</b>	25,488

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 29 CASH FLOW INFORMATION

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

	Year ended December 31,	
	2025 RMB'000	2024 RMB'000
<b>Profit before income tax</b>	<b>315,124</b>	417,259
Adjustments for:		
Depreciation of property, plant, and equipment and right-of-use assets	5,792	6,256
Losses on disposal of property, plant and equipment (Note 7)	–	3
Net fair value gains on financial assets at FVPL (Note 7)	(811)	(298)
Finance income – net (Note 10)	(48,449)	(18,902)
Net impairment losses on financial assets	4,382	161
Share-based payment expenses (Note 24)	2,095	2,180
Net exchange differences	7,551	248
<b>Operating profit before changes in working capital</b>	<b>285,684</b>	406,907
<b>Changes in working capital:</b>		
Increase in inventories	(127,090)	(46,567)
Increase in trade receivables	(125,072)	(12,059)
(Increase)/decrease in other operating assets	(65,449)	2,646
Increase in trade and bills payables	19,886	38,386
Increase in contract liabilities	1,400	–
(Decrease)/increase in other operating liabilities	(1,497)	18,137
Increase in restricted cash	(1,662)	(5,316)
<b>Net cash (used in)/generated from operations</b>	<b>(13,800)</b>	402,134

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

	Year ended December 31,	
	2025 RMB'000	2024 RMB'000
<b>Net book amount</b>	–	121
Losses on disposal of property, plant and equipment	–	(3)
<b>Proceeds from disposals of property, plant and equipment</b>	<b>–</b>	118

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 29 CASH FLOW INFORMATION (Continued)

### (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,	
	2025 RMB'000	2024 RMB'000
Cash and cash equivalents (Note 21)	281,769	377,332
Lease liabilities (Note 16)	(1,050)	(4,128)
<b>Net debt</b>	<b>280,719</b>	<b>373,204</b>

	Borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
Net debt as at January 1, 2024	(5,004)	(4,767)	(9,771)
Cash flows from financing activities	5,083	1,108	6,191
New leases	–	(290)	(290)
Interest accrued	(79)	(179)	(258)
<b>Net debt as at December 31, 2024</b>	<b>–</b>	<b>(4,128)</b>	<b>(4,128)</b>
Cash flows from financing activities	–	3,208	3,208
New leases	–	(58)	(58)
Interest accrued	–	(72)	(72)
<b>Net debt as at December 31, 2025</b>	<b>–</b>	<b>(1,050)</b>	<b>(1,050)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 30 COMMITMENTS

### Capital commitments

	As at December 31,	
	2025 RMB'000	2024 RMB'000
Contracted but not provided for		
– purchase of intangible asset	2,403	–
– purchase of property, plant and equipment	131	1,698
	<b>2,534</b>	1,698

## 31 CONTINGENCIES

As at December 31, 2025 and 2024, the Group had no material contingent liabilities.

## 32 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
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 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)	Controlled by the Controlling Shareholder of the Company

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 32 RELATED PARTY TRANSACTIONS (Continued)

### (b) 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 33, was as follows:

	Year ended December 31,	
	2025 RMB'000	2024 RMB'000
Basic salaries	1,509	1,572
Discretionary bonuses	1,318	960
Pension obligations	48	31
Housing funds, medical insurances and other social insurances	69	33
Share-based payment expenses	1,178	1,226
	<b>4,122</b>	<b>3,822</b>

### (c) Transactions with related parties

Related party transactions of the Group are listed as follows:

	Year ended December 31,	
	2025 RMB'000	2024 RMB'000
<b>Payment of lease liabilities</b>		
Zhejiang Leshengen	3,150	–
<b>Interest expenses of lease liabilities</b>		
Zhejiang Leshengen	72	164
<b>Repayment of loans to a related party</b>		
Zhejiang Taige Electric	–	7

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 32 RELATED PARTY TRANSACTIONS (Continued)

### (d) Balances with related parties

	As at December 31,	
	2025 RMB'000	2024 RMB'000
<b>Other receivables (trade in nature)</b>		
Zhejiang Leshengen	350	350
Less: allowance for credit losses	(19)	(1)
	<b>331</b>	<b>349</b>

- (e) As at December 31, 2025 and 2024, the amount of other receivables was a security deposit for lease of warehouse.

	As at December 31,	
	2025 RMB'000	2024 RMB'000
<b>Lease liabilities (trade in nature)</b>		
Zhejiang Leshengen	1,050	4,128

As at December 31, 2025 and 2024, the receivables and payables with related parties were interest-free, unsecured and payable on demand.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 33 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	Total RMB'000
						RMB'000	
For the year ended December 31, 2025:							
<i>Executive directors:</i>							
Mr. Zhang	-	287	458	-	10	10	765
Ms. Lyu	-	623	-	-	10	10	643
Mr. Xia Chenhao 夏宸穎 ("Mr. Xia")	-	232	300	393	10	18	953
	-	1,142	758	393	30	38	2,361
<i>Non-Executive directors:</i>							
Ms. Yeung Shuet Fan Pamela 楊雪芬 ("Ms. Yeung")	220	-	-	-	-	-	220
Dr. Chan Tin Wai David 陳天衛 ("Dr. Chan")	220	-	-	-	-	-	220
Mr. Shi Zhoufeng 施周峰 ("Mr. Shi")	220	-	-	-	-	-	220
	660	-	-	-	-	-	660

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 33 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

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

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	-	252	300	409	6	7	974
	-	1,212	300	409	18	21	1,960
<i>Non-Executive directors:</i>							
Ms. Yeung	55	-	-	-	-	-	55
Dr. Chan	55	-	-	-	-	-	55
Mr. Shi	55	-	-	-	-	-	55
	165	-	-	-	-	-	165

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, 2025 and 2024, and the Group paid emoluments to them in their capacity as the directors or supervisor before their appointment as executive directors of the Company.

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, 2025 and 2024.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 33 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

### (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, 2025 and 2024.

### (d) Information about loans, quasi-loans or other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the years ended December 31, 2025 and 2024.

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

Save as disclosed in Note 32, 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, 2025 and 2024.

## 34 SUBSEQUENT EVENTS

There are no material subsequent events undertaken by or impacted on the Company or the Group subsequent to December 31, 2025 and up to the date of this report, except for the following:

In 2025, the United States officially launched the measures of tariff increase on China. As of March 2026, tariff policies have been undergoing continuous changes. 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

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

### (a) Statement of financial position

	As at December 31,	
	2025	2024
	RMB'000	RMB'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investments in subsidiaries	143,855	141,760
<b>Current assets</b>		
Prepayments, other receivables and other current assets	65,747	–
Time deposits	753,970	744,221
Financial assets at FVPL	–	36,243
Cash and cash equivalents	5,450	2,711
	825,167	783,175
<b>Total assets</b>	<b>969,022</b>	<b>924,935</b>
<b>EQUITY</b>		
Share capital	1,985	1,985
Share premium	719,097	790,710
Shares held for shares award scheme	(6)	(6)
Reserves	9,662	21,792
Treasury shares	(18,636)	–
Retained earnings/(accumulated losses)	15,987	(14,268)
<b>Total equity</b>	<b>728,089</b>	<b>800,213</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Other payables and accruals	240,933	124,722
<b>Total Liabilities</b>	<b>240,933</b>	<b>124,722</b>
<b>Total equity and liabilities</b>	<b>969,022</b>	<b>924,935</b>

The statement of financial position was approved by the Board of Directors on March 26, 2026 and was signed on its behalf.

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**Zhang Guodong**  
*Director*

\_\_\_\_\_  
**Lyu Yili**  
*Director*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 35 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 January 1, 2024</b>	1,598	(42)	1,556
Share-based payment	2,180	–	2,180
Other currency translation differences	–	18,056	18,056
<b>As at December 31, 2024</b>	3,778	18,014	21,792
<b>As at January 1, 2025</b>	<b>3,778</b>	<b>18,014</b>	<b>21,792</b>
Share-based payment	<b>2,095</b>	–	<b>2,095</b>
Other currency translation differences	–	<b>(14,225)</b>	<b>(14,225)</b>
<b>As at December 31, 2025</b>	<b>5,873</b>	<b>3,789</b>	<b>9,662</b>

## 36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

### 36.1 Principles of consolidation and equity accounting

#### (i) Changes in ownership interests

The Group treats 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.

#### (ii) 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 36.1 Principles of consolidation and equity accounting (Continued)

#### (ii) Disposal of subsidiaries (Continued)

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.

#### (iii) 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.

### 36.2 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.

#### (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 (losses)/gains – 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 36.2 Foreign currency translation (Continued)

#### (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.

### 36.3 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 (losses)/gains – net" in the consolidated statement of comprehensive loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 36.4 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.

#### (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 36.4 Investments and other financial assets (Continued)

#### (c) Measurement (Continued)

##### *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 (losses)/gains – net" in the period in which it arises.

#### (d) Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For cash and cash equivalents, restricted cash and 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 36.5 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.

### 36.6 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.

### 36.7 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".

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 36.8 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.

### 36.9 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.

### 36.10 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 36.11 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

#### (a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associate operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

#### (b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 36.11 Current and deferred income tax (Continued)

#### (b) Deferred income tax (Continued)

Deferred 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 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.

### 36.12 Employee benefits

#### (a) Short-term obligations

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

#### (b) Pension obligations, 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, 2025 to offset the Group's contribution to the abovementioned retirement benefit schemes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 36.13 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.

### 36.14 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

(Continued)

### 36.15 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

## 36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 36.15 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

## 36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

### 36.16 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.

### 36.17 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 7.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 10. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).