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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2024

ANNUAL RESULTS

The Board hereby presents the audited consolidated annual results of the Group for the Reporting Period, together with the comparative figures for the Corresponding Period of the Previous Year. The audited consolidated annual results of the Group have been reviewed by the Audit Committee.

KEY HIGHLIGHTS

FINANCIAL SUMMARY

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

For the Year Ended December 31,

	2024	2023	Change
	(RMB)	(RMB)	(%)
	<i>(in millions, except percentages)</i>		
Gross Profit			
Branded business	810.0	541.1	49.7
ODM business	25.4	24.0	5.8
Total	835.4	565.1	47.8
Net profit	356.0	236.5	50.5
Adjusted net profit (non-HKFRS measure)^(Note)	383.0	242.5	57.9

Note: For details of the adjusted net profit based on the non-HKFRS measures, please refer to the paragraph headed “Reconciliation of the Non-HKFRS Measures to the Nearest HKFRS Measures” in this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS**MACRO AND INDUSTRY ENVIRONMENT**

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

risk, such as optimizing its supply chain and exploring alternative markets in 2024 including Eastern Europe, South America and Australia.

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

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

BUSINESS REVIEW

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

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

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

RMB356.0 million for the Reporting Period, adjusted net profit* increased by approximately 57.9% from approximately RMB242.5 million for the Corresponding Period of the Previous Year to approximately RMB383.0 million for the Reporting Period, and adjusted net profit margin* increased from approximately 15.3% for the Corresponding Period of the Previous Year to approximately 18.5% for the Reporting Period.

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

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

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

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

FUTURE OUTLOOK

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

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

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

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

FINANCIAL REVIEW

Revenue

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

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

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

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

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

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

Cost of Sales

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

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

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

Gross Profit and Gross Profit Margin

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

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

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

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

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

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

Expenses

Selling Expenses

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

Administrative Expenses

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

Research and Development Expenses

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

Other Income

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

Other Gains

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

Finance Income, Net

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

Income Tax Expenses

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

Profit for the Year

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

Reconciliation of Non-HKFRS Measures to the Nearest HKFRS Measures

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

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

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

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

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

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

Inventories

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

Trade Receivables

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

Trade and Bills Payables

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

Liquidity, Financial Resources and Capital Structure

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

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

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

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

Foreign Exchange Exposure

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

The management of the Group has set up a policy to require the Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to control the exposure of the foreign currency during the business operation. Foreign exchange risk arises from various currency exposures primarily through proceeds received from customers and shareholders, and payments to the suppliers that are denominated in a currency other than the Group's entities' functional currency. The currencies giving rise to this risk are primarily USD, as most sales and certain purchase of the Group are denominated in USD. The management of the Group considers that the Group's exposure to foreign currency exchange risk is not significant due to most of the functional currency of the entities in Group is the same as the transaction currency. During the Reporting Period, the Group did not use any derivative financial instruments to hedge certain exposure to foreign exchange. The management of the Group keeps monitoring foreign exchange exposure of the Group and will consider hedging significant foreign currency exposure should the need arise.

Interest Rate Risk

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

CHARGE OVER ASSETS OF THE GROUP

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

GEARING POSITION

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

CONTINGENCIES

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

FINAL DIVIDEND

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

ANNUAL GENERAL MEETING

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

CLOSURE OF REGISTER OF MEMBERS

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

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

MAJOR CUSTOMERS AND SUPPLIERS

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

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

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

EMPLOYEES AND REMUNERATION POLICIES

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

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

Further details of the remuneration policies for the Directors will be set out in the 2024 annual report of the Company.

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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

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

EVENTS AFTER THE REPORTING PERIOD

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

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

USE OF PROCEEDS FROM THE GLOBAL OFFERING

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

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

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Note</i>	Year ended December 31,	
		2024	2023
		RMB'000	RMB'000
Revenue	3	2,073,251	1,583,082
Cost of sales	6	(1,237,854)	(1,017,941)
Gross profit		835,397	565,141
Selling expenses	6	(375,528)	(245,400)
Administrative expenses	6	(62,372)	(31,636)
Research and development expenses	6	(41,356)	(35,885)
Net (impairment losses)/reversal of impairment on financial assets		(161)	274
Other income	4	32,143	3,194
Other gains – net	5	10,234	15,500
Operating profit		398,357	271,188
Finance income	7	19,160	7,447
Finance costs	7	(258)	(322)
Finance income – net		18,902	7,125
Profit before income tax		417,259	278,313
Income tax expense	8	(61,299)	(41,839)
Profit for the year		355,960	236,474
Profit attributable to:			
Owners of the Company		355,994	237,132
Non-controlling interests		(34)	(658)
		355,960	236,474
Earnings per share attributable to the equity holders of the Company (in RMB)			
Basic earnings per share	10	0.81	0.59
Diluted earnings per share	10	0.81	0.59

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	As at December 31,	
		2024	2023
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		71,188	10,955
Right-of-use assets		3,678	6,905
Time deposits		183,727	80,146
Deferred tax assets		9,080	6,865
Investments accounted for using the equity method		—	*
		267,673	104,871
Current assets			
Inventories	<i>11</i>	154,849	108,282
Trade receivables	<i>12</i>	85,774	73,854
Prepayments, other receivables and other current assets		28,554	24,034
Time deposits		766,010	88,952
Financial assets at fair value through profit or loss		36,243	—
Restricted cash		5,316	—
Cash and cash equivalents		377,332	236,064
		1,454,078	531,186
Total assets		1,721,751	636,057

		As at December 31,	
	<i>Note</i>	2024	2023
		RMB'000	RMB'000
EQUITY			
Share capital	<i>13</i>	1,985	1,460
Share premium	<i>13</i>	790,710	137,208
Shares held for shares award scheme	<i>13</i>	(6)	(6)
Reserves		(221,040)	(244,115)
Retained earnings		684,111	328,117
		<u>1,255,760</u>	<u>222,664</u>
Non-controlling interests		<u>(77)</u>	<u>(43)</u>
Total equity		<u>1,255,683</u>	<u>222,621</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		–	2,028
Deferred tax liabilities		–	303
		<u>–</u>	<u>2,331</u>
Current liabilities			
Trade and bills payables	<i>14</i>	397,020	358,634
Other payables and accruals	<i>15</i>	27,287	11,206
Current income tax liabilities		37,633	33,522
Borrowings	<i>16</i>	–	5,004
Lease liabilities		4,128	2,739
		<u>466,068</u>	<u>411,105</u>
Total liabilities		<u>466,068</u>	<u>413,436</u>
Total equity and liabilities		<u>1,721,751</u>	<u>636,057</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Note</i>	Year ended December 31,	
		2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities			
Net cash generated from operations		402,134	274,256
Interest received from cash at banks		7,799	–
Income taxes paid		(59,706)	(30,305)
		<u>350,227</u>	<u>243,951</u>
Net cash generated from operating activities			
Cash flows from investing activities			
Proceeds from sales of property, plant and equipment		118	–
Payments for property, plant and equipment		(68,998)	(5,863)
Proceeds from time deposits		288,200	132,893
Payments for time deposits		(1,064,091)	(143,452)
Interest received from time deposits		6,614	7,447
Proceeds from disposal of financial assets at fair value through profit or loss		–	260,264
Payments for financial assets at fair value through profit or loss		(35,945)	(210,101)
Proceeds from a related party		–	1,000
Repayment of loans to related parties		7	5,909
		<u>(874,095)</u>	<u>48,097</u>
Net cash (used in)/generated from investing activities			

	Year ended December 31,	
<i>Note</i>	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from financing activities		
Cash contributions from the shareholders	–	687
Issuance of ordinary shares	–	680
Proceeds from issuance of shares upon global offering and over-allotment option	762,038	–
Proceeds from borrowings	–	5,000
Repayment of borrowings	(5,000)	(19,231)
Interest paid on borrowings	(83)	(164)
Payments for listing expenses	(7,793)	(1,987)
Principal payments and interest paid of lease liabilities	(1,108)	(3,698)
Deemed distribution to shareholders pursuant to disposal of assets	–	38,214
Deemed distribution to shareholders pursuant to the Reorganization	–	(67,731)
Dividend paid to the then shareholders	(100,000)	(50,000)
	<hr/>	<hr/>
Net cash generated from/(used in) financing activities	648,054	(98,230)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	124,186	193,818
	<hr/>	<hr/>
Cash and cash equivalents at beginning of the year	236,064	42,480
Effects of exchange rate changes on cash and cash equivalents	17,082	(234)
	<hr/>	<hr/>
Cash and cash equivalents at end of the year	377,332	236,064
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

1.1 General information

Carote Ltd 卡羅特(商業)有限公司 (“**Carote**”, or the “**Company**”) was incorporated in the Cayman Islands on February 3, 2023 as an exempted company with limited liability. The address of the Company’s registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

Zhejiang Carote Industry & Trade Co., Ltd. 浙江卡羅特工貿有限公司 (“**Zhejiang Carote**”) was incorporated in the People’s Republic of China (the “**PRC**”) in April 2007. Upon the completion of the reorganization in August 2023 as described in Note 1.2(a) (the “**Reorganization**”), Zhejiang Carote became an indirect wholly owned subsidiary of the Company.

The Company is an investment holding company and its subsidiaries (together, “**the Group**”) are principally engaged in sale of cookware such as non-stick pots and pans, cast iron pots, and curated cookware sets, kitchen utensils, drinkware and other products (the “**Listing Business**”). The Group’s products are sourced in the People’s Republic of China (the “**PRC**”) and sold to customers in locations including the Mainland China, the United States (the “**U.S.**”), Malaysia, Singapore, Japan and other countries via third-party e-commerce platforms.

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

The ultimate holding company of the Company is Yili Investment Holdings Ltd (“**Yili Investment**”), a company incorporated in the British Virgin Islands and controlled by Mr. Zhang Guodong 章國棟 (“**Mr. Zhang**”) and Ms. Lyu Yili 呂伊俐 (“**Ms. Lyu**”) (the “**Controlling Shareholders**”).

These consolidated financial statements are presented in thousands of RMB (“**RMB’000**”), unless otherwise stated.

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

1.2 Reorganization

(a) *The Reorganization*

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

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

- (i) In February 2023, the Company was established under the laws of the Cayman Islands as an exempted company with limited liability with authorized share capital of 5,000,000 shares of par value of United States Dollars (“**USD**”) 0.01 each, of which 4,500,000 ordinary shares of the Company were issued to Yili Investment and 500,000 were issued to Carote CM Limited Partnership, which is wholly owned by Controlling Shareholders. In March 2023, Carote CM Limited Partnership transferred 419,900 shares to Yili Investment. Subsequently on the same date, the Company issued another 15,080,100 ordinary shares to Yili Investment.
- (ii) In March 2023, Carote Group Limited (“**Carote Group**”) was incorporated as a limited liability company in Hong Kong and a direct wholly owned subsidiary of the Company.
- (iii) In August 2023, Carote Group purchased 100% equity interests in Zhejiang Carote from the Controlling Shareholders, the companies controlled by Controlling Shareholders and Denk Trade with a consideration of RMB67,731,000 which was paid by Carote Group to the shareholders in cash in October 2023. Consequently, Zhejiang Carote became an indirect wholly owned subsidiary of the Company.

In September 2023, the Company issued 202,830 ordinary shares to Denk Trade with a consideration of RMB680,000.

Upon completion of the Reorganization in October 2023, the Company became the holding company of the companies now comprising the Group.

1.3 Basis of presentation

Immediately prior to and after the Reorganization, the Listing Business was and continues to be conducted through Zhejiang Carote and its subsidiaries. Pursuant to the Reorganization, Zhejiang Carote was transferred to and held by the Company. The Company has not been involved in any business prior to the Reorganization and does not meet the definition of a business. The Reorganization is merely a recapitalization of the Listing Business with no change in management of such business and the ultimate controlling shareholders remains the same. Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the Listing Business, with the assets and liabilities of the Group recognized and measured at the carrying amounts of the Listing Business for all periods presented.

2 BASIS OF PREPARATION

(i) Compliance with HKFRS and HKCO

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

(ii) Historical cost convention

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

(iii) New or amended standard adopted by the Group

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

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

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

(iv) **New and amended standards and interpretations not yet adopted**

The following amended standards have been issued but not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 21	Lack of Exchangeability	January 1, 2025
Amendments to HKFRS 9 and HKFRS 7	Classification and Measurement of Financial Instruments	January 1, 2026
Amendments to HKFRS 9 and HKFRS 7	Contracts referencing nature – dependent electricity	January 1, 2026
Annual improvements project	Annual Improvements to HKFRS Accounting Standards – Volume 11	January 1, 2026
HKFRS 18	Presentation and disclosure in financial statements	January 1, 2027
HKFRS 19	Subsidiaries without public accountability: disclosures	January 1, 2027
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, amendments and interpretations, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, these standards and amendments are not expected to have a material impact on the Group's financial performance and position, except for HKFRS 18, which may mainly impact the presentation of the Group's statement of profit or loss and the Group is still in the process of assessing the impact.

3 SEGMENT INFORMATION

(a) Description of segments and principal activities

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

Geographical information of revenue

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

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

(b) Revenue from contract with customers

All revenue from contract with customers within the scope of HKFRS 15 is recognized at a point in time as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
– Online sales, business through third-party e-commerce platforms to individuals	1,773,762	1,362,531
– Original design manufacturer business	212,639	203,209
– Others	86,850	17,342
	<u>2,073,251</u>	<u>1,583,082</u>

(c) Revenue from major customers

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

(d) Revenue recognition

Revenue from contracts with customers is recognized when control of products is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those products.

The following is a description of the accounting policy for the principal revenue stream of the Group.

Sales of products

The Group sells its products to customers over third-party e-commerce platforms or directly. Revenue from contracts with customers is recognized when control of the products is transferred to customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those products and delivery to the customers.

Revenue from the sale of products is recognized at the point in time when control of the asset is transferred to the customer, generally on the receipt of products by customers.

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.

4 OTHER INCOME

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

- (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.

5 OTHER GAINS – NET

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

6 EXPENSES BY NATURE

The detailed analysis of cost of sales, selling expenses, administrative expenses and research and development expenses is as follow:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Cost of inventories sold	882,228	741,915
Raw materials and consumables used	39,960	32,593
Freight and storage expenses	350,526	268,494
Commission to e-commerce platforms	269,352	167,160
Marketing and advertising expenses	84,149	67,559
Employee benefit expenses	35,463	27,323
Listing expenses	26,955	6,049
Legal and professional fees	4,319	4,393
Depreciation of right-of-use assets	3,227	1,684
Depreciation of property, plant and equipment	3,029	2,859
Auditors' remuneration – Audit services	2,170	40
Office expenses	1,737	1,281
Short-term leases expense	290	129
Others	13,705	9,383
	<u>1,717,110</u>	<u>1,330,862</u>

7 FINANCE INCOME, NET

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

8 INCOME TAX EXPENSES

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

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

(a) Cayman Islands income tax

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

(b) Hong Kong profits tax

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

(c) United States income tax

Carote USA was established in California, the United States. The corporate income tax rate of Carote USA is subject to both federal income tax rate and California income tax rate, which are 21% and 8.84% (2023: 21% and 8.84%) respectively for the year ended December 31, 2024.

(d) Japan income tax

Enterprises incorporated in Japan are subject to income tax rate at the state level of 23.2% (2023: 23.2%) during the year ended December 31, 2024.

(e) Singapore corporate income tax (“Singapore CIT”)

The Group’s subsidiary in Singapore is subject to Singapore CIT which is calculated based on the applicable tax rate of 17% (2023: 17%) on the assessable profits of the subsidiaries in accordance with Singapore tax laws and regulations for the year ended December 31, 2024.

(f) PRC corporate income tax (“CIT”)

The Company’s subsidiaries in the PRC are subject to PRC CIT which is calculated based on the applicable tax rate of 25% on the assessable profits of the subsidiaries in accordance with PRC tax laws and regulations, except for disclosed below.

Zhejiang Carote, a subsidiary of the Company, was recognized as the High New Tech Enterprises in December 2019. According to the tax incentives of the Corporate Income Tax Law of the People’s Republic of China (the “CIT Law”) for High New Tech Enterprises, Zhejiang Carote is subject to a reduced corporate income tax rate of 15% for three years commencing from the first year when it was recognized as the High New Tech Enterprises. Zhejiang Carote obtained the approval for renewal of the qualification for another three-year period commencing 2022. Accordingly, Zhejiang Carote was entitled to a preferential income tax rate of 15% (2023: 15%) during the year ended December 31, 2024.

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

(g) PRC withholding income tax

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

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

- (h) The difference between the actual income tax expense charged to the consolidated statement of profit or loss and the amounts which would result from applying the enacted tax rates to profit before income tax can be reconciled as follows:

	Year ended December 31,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	<u>417,259</u>	<u>278,313</u>
Tax calculated at statutory tax rates applicable to each group entity	103,071	66,300
Preferential tax rate	(40,907)	(23,839)
Expenses not deductible for tax purpose	697	172
Super deduction for research and development expenses	(3,102)	(2,691)
Tax losses for which no deferred income tax asset was recognized	2,223	1,996
Previously unrecognized tax losses now recognized or recouped to reduce current tax expense	<u>(683)</u>	<u>(99)</u>
Income tax expense	<u>61,299</u>	<u>41,839</u>

9 DIVIDENDS

Pursuant to the resolution of the shareholders' meeting of the Company held on March 3, 2024, dividends of RMB100,000,000, out of share premium of the Company, were approved to be paid to the shareholders of the Company. The dividends of USD10,000,000 (equivalent to approximately RMB72,300,000) and USD3,836,371 (equivalent to approximately RMB27,700,000) were paid in cash in April and May 2024, respectively.

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

10 EARNINGS PER SHARE

(a) Basic earnings per share

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

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

(b) Diluted earnings per share

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

During the years ended December 31, 2024 and 2023, the Company's dilutive potential ordinary shares include share awards granted to employees. As the share awards are issuable upon the satisfaction of specified performance condition, as of December 31, 2023, the condition has not been met, thus the potential issuable shares were not included in the calculation of diluted earnings per share during the year reported. Accordingly, diluted earnings per share is equal to basic earnings per share for the year ended December 31, 2023. As of December 31, 2024, the condition has met, the calculation of diluted earnings per share is shown as below:

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

11 INVENTORIES

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

(i) Amounts recognised in profit or loss

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

12 TRADE RECEIVABLES

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

(i) Aging analysis of trade receivables

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

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

(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.

(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.

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

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

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

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

(a) On February 3, 2023, the Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorized share capital of USD\$50,000 divided into 5,000,000 shares with par value USD\$0.01. No shares were issued and allotted on incorporation.

(b) On March 15, 2023, pursuant to the resolution passed by the shareholders of the Company, the number of authorized shares of the Company increased by 15,080,100 shares from 5,000,000 shares to 20,080,100 shares with par value USD\$0.01.

On September 21, 2023, pursuant to the resolution passed by the shareholders of the Company, the number of authorized shares of the Company increased by 4,919,900 shares from 20,080,100 shares to 25,000,000 shares with par value USD\$0.01.

(c) As part of the Reorganization, the Company allotted and issued an aggregate of 20,080,100 shares to the Controlling Shareholders and the companies controlled by the Controlling Shareholders before August 2023, and issued 202,830 ordinary shares to Denk Trade Investment Ltd (“**Denk Trade**”) in September 2023 with a cash consideration of RMB680,000 which was received in November 2023 (Note 1.2(a) (iii)).

Pursuant to an equity transfer agreement entered into among Carote Group, Denk Trade, the Controlling Shareholders and the companies controlled by the Controlling Shareholders dated August 18, 2023, the Controlling Shareholders and their companies and Denk Trade transferred their 100% equity interests in Zhejiang Carote to Carote Group for a consideration of RMB67,731,000, which was paid by Carote Group to the shareholders in cash in October 2023 (Note 1.2(a) (iii)). The considerations paid to the shareholders were regarded as deemed distributions to shareholders and recorded in capital reserves of the Group.

The consolidated net asset of Zhejiang Carote as at the date of the transaction amounted to RMB205,713,000. The difference between the consolidated net asset of Zhejiang Carote and the consideration received from Denk Trade in November 2023, and the considerations paid by Carote Group to the shareholders and the par value of the abovementioned shares of the company issued, amounted to approximately RMB137,208,000, which was regarded as share premium of the Company.

- (d) On 29 February 2024, pursuant to the resolution passed by the shareholders of the Company, each share of a nominal or par value of US\$0.01 share capital of the Company was subdivided into 20 shares of a nominal or par value of US\$0.0005 each. The Company's authorized share capital became US\$250,000 divided into 500,000,000 shares of a nominal or par value of US\$0.0005 each. Immediately following the Subdivision, the number of ordinary shares in issue was 405,658,600 (including 1,600,000 shares held for shares award scheme after consideration of the subdivision).
- (e) On March 3, 2024, pursuant to the resolution of the shareholders' meeting of the Company, dividends of RMB100,000,000 were approved to be paid to the shareholders of the Company. The dividends of USD\$10,000,000 (equivalent to approximately RMB72,300,000) and USD\$3,836,371 (equivalent to approximately RMB27,700,000) were paid in cash in April and May 2024, respectively.
- (f) On September 23, 2024, pursuant to the resolution of the shareholders' meeting of the Company, the authorized shares of the Company increased by 1,500,000,000 shares from 500,000,000 shares to 2,000,000,000 shares with par value USD\$0.0005.
- (g) On October 2, 2024, the Company has completed a global offering of 129,864,500 Shares of par value of US\$0.0005 each at the price of HK\$5.78 per Share. On October 30, 2024, the Company has completed the over-allotment option of 19,479,500 Shares of par value of US\$0.0005 each at the price of HK\$5.78 per Share.

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

14 TRADE AND BILLS PAYABLES

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

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.

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

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

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

15 OTHER PAYABLES AND ACCRUALS

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

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

16 BORROWINGS

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

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

	As at December 31,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	–	5,004
	<u>–</u>	<u>5,004</u>

As at December 31, 2023, the borrowings of RMB5,004,000 were secured by the pledge of a building of the Group with carrying value of RMB3,935,000, at a fixed interest rate of 3.1% per annum.

17 COMMITMENTS

Capital commitments

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

18 CONTINGENCIES

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

OTHER INFORMATION

Corporate Governance

From the Listing Date and up to the date of this announcement, the Company continued to apply the principles set out in the CG Code as its own code of corporate governance. Saved for the following deviation from code provision C.2.1 of the CG Code, the Directors consider that the Company had complied with all the applicable code provisions of the CG Code from the Listing Date and up to the date of this announcement.

Code Provision C.2.1 of Part 2 of the CG Code as set out in Appendix C1 to the Listing Rules recommends, but does not require, that the roles of chairman and chief executive should be separate and that such roles should not be performed by the same person. 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 the Company. As Mr. Zhang has served the Group since July 2011 and has provided strategic guidance and leadership since 2019 and to date, the Board believes that vesting the roles of both chairman and chief executive officer to Mr. Zhang has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning. This structure will enable the Company to make and implement decisions promptly and effectively. The Board considers that the balance of power and authority will not be impaired due to this arrangement. In addition, all major decisions are made in consultation with members of the Board, including the relevant Board committees, and three independent non-executive Directors. The Board will reassess the division of the roles of chairman and the chief executive officer from time to time, and may recommend dividing the two roles between different people in the future, taking into account the circumstances of our Group as a whole.

Model Code For Directors' Securities Transactions

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code.

The Company has made specific enquiry of all Directors and all Directors have confirmed with the Company that they complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions from the Listing Date and up to the date of this announcement. In addition, the Company is not aware of any non-compliance of the Model Code by the employees of the Company who are likely to be in possession of inside information of the Company during the period from the Listing Date to the date of this announcement.

Audit Committee and Review of Annual Results

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and to advise the Board. The Audit Committee currently consists of three independent non-executive Directors, namely Ms. Yeung Shuet Fan Pamela, Dr. Chan Tin Wai David and Mr. Shi Zhoufeng. Mr. Shi Zhoufeng, being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit Committee had reviewed, together with the management, the accounting principles and policies adopted by the Group and discussed internal controls and financial reporting matters including a review of the consolidated financial statements and annual results of the Group for the year ended December 31, 2024.

Scope of Work of Auditor

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2024 as set out in this preliminary results announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended December 31, 2024. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary results announcement.

Publication

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<https://www.mycarote.com>) respectively. The 2024 annual report of the Company will be made available to the Shareholders and published on the respective website of the Stock Exchange and the Company and dispatched to the Shareholders (when necessary) in due course.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors, as constituted from time to time or as the context may require the majority of Directors present and voting at a meeting of the Directors at which a quorum is present
“CIC”	China Insights Industry Consultancy Limited (灼識企業管理諮詢(上海)有限公司), a market research and consulting company, which is an independent third party
“China” or “the PRC” or “Mainland China”	the People’s Republic of China, and for the purposes of this announcement 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, a company with limited liability incorporated in the Cayman Islands on February 3, 2023 and listed on the Stock Exchange on October 2, 2024 (Stock Code: 2549)
“Corresponding Period of the Previous Year”	the year ended December 31, 2023
“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 from time to time
“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
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	October 2, 2024, on which the Shares were first listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, as amended from time to time
“Mr. Zhang”	Mr. Zhang Guodong (章國棟), an executive Director of our Company and the spouse of Ms. Lyu Yili, an executive Director of our Company
“ODM”	acronym for “original design manufacturing,” whereby products are designed and manufactured by a company for sale under the branding of another company
“Prospectus”	the prospectus of the Company dated September 23, 2024
“Reporting Period”	the year ended December 31, 2024
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“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)

“SKU”	stock keeping unit, a unique identifier for each distinct product and service that can be purchased
“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.

By order of the Board
CAROTE LTD
 卡羅特(商業)有限公司
Mr. ZHANG Guodong
Chairman of the Board

Hong Kong, March 26, 2025

As at the date of this announcement, the directors are: Mr. ZHANG Guodong, Ms. LYU Yili and Mr. XIA Chenhao as executive directors and Ms. YEUNG Shuet Fan Pamela, Dr. CHAN Tin Wai David and Mr. SHI Zhoufeng as independent non-executive directors.