

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

INTERIM 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 interim 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)
"Corresponding Period of the Previous Year"	the six months ended June 30, 2024
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Corporate Governance Code", or "CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, as amended from time to time
"Director(s)"	the director(s) of the Company
"Group", "the Group", "we", "us", or "our"	the Company and its subsidiaries from time to time, and where the context requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
"HKD" or "HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HKFRS"	Hong Kong Financial Reporting Standards, which collectively include Hong Kong Accounting Standards and related interpretations, promulgated by the Hong Kong Institute of Certified Public Accountants

DEFINITIONS

"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	October 2, 2024, on which the Shares were first listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, as amended from time to time
"Mr. Zhang"	Mr. Zhang Guodong (章國棟), an executive Director of our Company and the spouse of Ms. Lyu
"Ms. Lyu"	Ms. Lyu Yili (呂伊俐), an executive Director of our Company and the spouse of Mr. Zhang
"Prospectus"	the prospectus of the Company dated September 23, 2024
"Reporting Period"	the six months ended June 30, 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
"treasury shares"	has the meaning ascribed to it under the Listing Rules
"US\$", "USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"Zhejiang Leshengen"	Zhejiang Leshengen Trading Co., Ltd* (浙江樂昇恩商貿有限公司), a company formed by way of company division of Zhejiang Carote and deemed to be established in China with limited liability on February 8, 2023 and which is ultimately controlled by Mr. Zhang and Ms. Lyu
"%"	per cent

CORPORATE INFORMATION

Directors

Executive Directors

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

Independent Non-executive Directors

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

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

Company Secretary

Mr. Chow Shing Lung (鄒醒龍)

Authorized Representatives

Mr. ZHANG Guodong (章國棟)
Mr. Chow Shing Lung (鄒醒龍)

Registered Office

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

Head Office and Principal Place of Business in China

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

Principal Place of Business in Hong Kong

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

Auditor

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

Principal Share Registrar and Transfer Office

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

Hong Kong Share Registrar

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

Hong Kong Legal Advisor

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

Compliance Advisor

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

Principal Banks

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

Company Website

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

Stock Code

2549

MANAGEMENT DISCUSSION AND ANALYSIS

MACRO AND INDUSTRY ENVIRONMENT

The global kitchenware industry in 2025 is experiencing robust growth, driven by rising disposable incomes, urbanisation, and the increasing popularity of home cooking and dining experiences. The market is evolving in response to macroeconomic trends, including a heightened focus on sustainability and health-conscious living, which have spurred demand for eco-friendly, non-toxic, and multifunctional kitchenware products. Technological advancements, such as the integration of smart features and connectivity in kitchen appliances, are redefining consumer expectations, while the expansion of e-commerce platforms has made these products more accessible. Additionally, shifting lifestyles and a growing hospitality sector have further bolstered the industry, with emerging markets in Asia-Pacific playing a key role in driving demand. Sustainability and innovation are at the forefront of market trends, with companies focusing on developing eco-conscious products and leveraging smart technologies to cater to modern consumer preferences.

However, the industry operates within a complex macroeconomic context. Persistent trade tensions between the U.S. and China, including additional tariffs on Chinese-manufactured goods, remain a significant factor. These tariffs directly impact pricing competitiveness and margins for products exported to the U.S. market. In response, our strategy has been twofold: first, to successfully navigate these pressures in our core U.S. market, and second, to strategically prioritize markets like the U.S. and Japan where our brand proposition is strongest. This proactive approach allows us to concentrate our resources on the highest-potential regions while mitigating risks associated with broad, unfocused global exposure.

On June 3, 2025, the U.S. President Trump signed an executive order significantly raising the tariffs on imported steel, aluminum, and their derivative products from the original 25% to 50% with effect from June 4, 2025. Consequently, our steel and aluminum products are subject to a total tariff of 70% while our other products are subject to a total tariff of 30%. In response to the above tariff adjustments, we are considering the following strategies: first, to increase the sales of non-aluminum products, second, to optimize the supply chain and reduce costs for aluminum products, and third, to raise the selling prices for some of our products.



MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE AND OUTLOOK

As we look to the second half of 2025, we acknowledge the persistent global economic uncertainties. However, our performance in the first six months has validated our strategic direction, providing a clear and focused path forward. While the deliberate pivot away from lower-margin ODM business and the de-prioritization of certain regions resulted in a planned decrease in overall revenue, our core branded business in our priority markets of the United States and Japan demonstrated strong growth of 4.0% and 13.6%, respectively. This confirms the success of our strategy and positions us for more profitable, sustainable growth.

Building on this momentum, our commitment for the remainder of the year is to deepen our competitive advantages and execute on the next phase of our growth plan. To achieve this, we are refining our key strategic pillars are as follows:

- 1 **Accelerated product development and product offering diversification:** We will intensify our efforts in product development and iteration. We are fully committed to upgrading our organizational capabilities by significantly expanding our product development teams. 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. Our product portfolio covers across different kitchenware categories, including cookware, kitchen utensils, drinkware, among others.
- 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 **Focusing on selected markets:** We will temporarily suspend new business development initiatives in the Southeast Asian, Indian, and Western European markets. Instead, we will allocate more resources to the comprehensive development of the U.S., Japan, and China markets. For the China market, we will resume the implementation of our omni-channel development strategy and conduct a comprehensive product upgrade and fully supplement the full-price-range strategy of our brand.
- 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. We will initiate the development of a multi-brand strategy, supplementing our brand portfolio by aligning different brands with specific channels and price positioning. A pilot launch of this strategy will first be implemented in the U.S. market in the upcoming fourth quarter, followed by a synchronized rollout to the China and Japan markets thereafter.
- 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 will comprehensively advance the upgrading of our organizational capabilities, vigorously expand the product development team, and accelerate the expansion of product lines in the U.S., Japan and China markets. In addition, we will fully enhance our supply chain management capabilities. This enhancement will span from manufacturing supply chain capabilities for vertical product lines and single product lines, to end-to-end supply chain capabilities (encompassing development, production, warehousing, and logistics) for multi-product lines and multi-categories. The goal is to provide robust support for the development of our multi-category and multi-channel business.

MANAGEMENT DISCUSSION AND ANALYSIS

We are confident that our clear strategy, proven execution in priority markets, and unwavering commitment to our brand promise will enable us to successfully navigate external challenges. We are well-positioned to capitalize on emerging opportunities, drive sustainable growth, and create enhanced value for our shareholders.

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. 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.

Revenue

During the Reporting Period, our total revenue was approximately RMB836.9 million (same period in 2024: approximately RMB955.2 million), representing a year-on-year decrease of approximately 12.4%. The decrease was mainly driven by (i) the additional tariffs imposed by the United States; (ii) increasing emphasis placed on branded business which resulted in a decline in ODM business; and (iii) the Company’s decision to prioritize the United States and Japan for its overseas markets, leading to a decrease in sales in Europe and Southeast Asia.

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 Six Months Ended June 30,			
	2025 (Unaudited) (RMB)	2024 (Unaudited) (RMB)	Change (%)
(in millions, except percentages)			
Branded business	777.6	840.4	-7.5
ODM business	59.3	114.8	-48.3
Total	836.9	955.2	-12.4

Our revenue from branded business decreased from approximately RMB840.4 million for the six months ended June 30, 2024 to approximately RMB777.6 million for the six months ended June 30, 2025, representing a period-on-period decrease of approximately 7.5%. The decrease in revenue from our branded business is mainly due to reduced investments in Europe and Southeast Asia as a result of our decision in prioritizing the United States and Japan among our overseas markets in 2025. Our revenue from branded business accounted for approximately 88.0% and 92.9% of our total revenue for the six months ended June 30, 2024 and 2025, respectively.

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 Six Months Ended June 30,			
	2025 (Unaudited) (RMB)	2024 (Unaudited) (RMB)	Change (%)
	(in millions, except percentages)		
Mainland China	127.8	155.6	-17.9
United States	529.4	508.8	4.0
Western Europe	16.2	60.4	-73.2
Japan	58.3	51.3	13.6
Southeast Asia	20.9	29.8	-29.9
Other	25.0	34.5	-27.5
Total	777.6	840.4	-7.5

During the Reporting Period, our branded business experienced a mix of revenue growths and drops in our various geographic markets. In particular, our branded business experienced a drop in Western Europe and Southeast Asia markets and a rise in the United States and Japan markets. These trends are in line with our business strategy of prioritizing the United States and Japan markets. Our revenue from branded business from the United States amounted to approximately RMB508.8 million and approximately RMB529.4 million for the six months ended June 30, 2024 and 2025, respectively, accounting for 60.5% and 68.1% of our total revenue from branded business for the same periods, respectively. On the other hand, our revenue from branded business from Japan amounted to approximately RMB51.3 million and approximately RMB58.3 million for the six months ended June 30, 2024 and 2025, respectively, accounting for 6.1% and 7.5% of our total revenue from branded business for the same periods, respectively. Our revenue from branded business from the United States and Japan recorded for the Reporting Period represents a period-on-period increase of approximately 4.0% and 13.6% as compared to the Corresponding Period of the Previous Year, respectively. The increase in our revenue from the United States and Japan was primarily due to the expansion in offline sales channels and the addition of new product offerings in the relevant regions.



MANAGEMENT DISCUSSION AND ANALYSIS

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 decreased from approximately RMB559.9 million for the six months ended June 30, 2024 to approximately RMB555.3 million for the same period in 2025, representing a minor period-on-period decrease of 0.8%, which was mainly attributable to the decrease in cost carryover led by a decline in our revenue and the increase in tariffs and freight costs.

Gross Profit and Gross Profit Margin

Our gross profit decreased by approximately 28.7% from approximately RMB395.2 million for the six months ended June 30, 2024 to approximately RMB281.6 million for the same period in 2025, in line with the decrease in our overall revenue.

Our gross profit from branded business amounted to approximately RMB381.6 million and approximately RMB274.5 million for the six months ended June 30, 2024 and 2025, respectively, representing a decrease of approximately 28.1% period-on-period.

Our gross profit from ODM business amounted to approximately RMB13.6 million and approximately RMB7.1 million for the six months ended June 30, 2024 and 2025, respectively, representing a decrease of approximately 47.8% period-on-period, in line with the drop in our revenue during the Reporting Period.

Our gross profit margin from branded business was approximately 45.4% and approximately 35.3% for the six months ended June 30, 2024 and 2025, respectively. Such a decrease was primarily due to increased costs caused by additional tariffs imposed by the United States.

Our gross profit margin from ODM business was approximately 11.8% and approximately 12.0% for the six months ended June 30, 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

Selling Expenses

Our selling expenses decreased by approximately 4.7% from approximately RMB159.7 million for the six months ended June 30, 2024 to approximately RMB152.2 million for the same period in 2025, primarily due to, among other things, the reduction of marketing and promotion expenses in Europe and Southeast Asia markets.

Administrative Expenses

Our administrative expenses decreased by approximately 33.1% from approximately RMB29.0 million for the six months ended June 30, 2024 to approximately RMB19.4 million for the same period in 2025, mainly because of no listing expenses incurred during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Research and Development Expenses

Our research and development expenses decreased by approximately 16.0% from approximately RMB21.2 million for the six months ended June 30, 2024 to approximately RMB17.8 million for the same period in 2025, primarily due to a slight decrease in the materials used in our ongoing research and development projects.

Other Income

Our other income decreased by approximately 67.7% from approximately RMB2.0 million for the six months ended June 30, 2024 to approximately RMB0.7 million for the same period in 2025, primarily due to a reduction in our receipt of government grants in reward for our contribution to the local economy.

Other Gains

Our net other gains decreased by approximately 50.3% from approximately RMB6.0 million for the six months ended June 30, 2024 to approximately RMB3.0 million for the same period in 2025, primarily due to the decrease in the net foreign exchange gains.

Finance Income, Net

Our net finance income increased by approximately 645.5% from approximately RMB3.4 million for the six months ended June 30, 2024 to approximately RMB25.3 million for the same period in 2025, primarily because of 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 decreased by approximately 42.8% from approximately RMB32.8 million for the six months ended June 30, 2024 to approximately RMB18.7 million for the same period in 2025, primarily due to a decrease in our taxable income in line with our revenue drop.



MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the Period

As a result of the foregoing, our profit for the period decreased by approximately 37.4% from approximately RMB164.1 million for the six months ended June 30, 2024 to approximately RMB102.8 million for the same period in 2025, while our net profit margin decreased from 17.2% for the six months ended June 30, 2024 to approximately 12.3% for the same period in 2025.

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 period adding back listing expenses incurred for the same period, and (ii) adjusted net profit margin (non-HKFRS measure) as a percentage of revenue for the same 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 periods indicated:

	For the Six months Ended June 30,	
	2025 (RMB)	2024 (RMB)
	(in millions, except percentages)	
Profit for the period	102.8	164.1
Add back:		
Listing expenses	—	11.1
Adjusted net profit (non-HKFRS measure)	102.8	175.2
Adjusted net profit margin (non-HKFRS measure)	12.3%	18.3%

MANAGEMENT DISCUSSION AND ANALYSIS

Inventories

Inventories of the Group increased by approximately 11.5% from RMB154.8 million as of December 31, 2024 to RMB172.7 million as of June 30, 2025. Average inventory turnover days of the Group increased from 38.8 days in 2024 to 53.1 days in 2025, 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 20.6% from RMB85.8 million as of December 31, 2024 to RMB103.4 million as of June 30, 2025. Average turnover days of trade receivables increased from 14.1 days in 2024 to 20.3 days in 2025, mainly driven by the sales growth in offline channels, which usually have longer trade receivables days than sales through online channels.

Trade and Bills Payables

Trade and bills payables of the Group decreased by approximately 13.9% from RMB397.0 million as of December 31, 2024 to RMB341.8 million as of June 30, 2025, mainly attributable to the overall decline in procurement by the Group. Average turnover days of trade and bills payables remained relatively stable at 119.7 days in 2025 (2024: 111.4 days).

Liquidity, Financial Resources and Capital Resources

For the six months ended June 30, 2025, our net cash used in operating activities was approximately RMB18.7 million (same period in 2024: our net cash generated from operating activities was approximately RMB89.9 million). This was primarily driven by a substantial decrease in the net cash generated from core business operations of the group, which decreased from RMB130.8 million for the Corresponding Period of the Previous Year to RMB16.8 million for the Reporting Period. As the Group's overseas and offline business segments grew, there was a corresponding need to procure more inventory to support sales, leading to increased cash payments to suppliers. Secondly, the expansion of the offline business has resulted in longer accounts receivable collection cycles, tying up cash. These factors increased working capital requirements and consequently reduced the cash inflow from operations. Furthermore, a significant income tax payment of approximately RMB41.2 million during the Reporting Period further offset the cash generated, contributing to the overall net cash outflow from operating activities.

For the six months ended June 30, 2025, our net cash generated from investing activities was approximately RMB33.4 million (same period in 2024: our net cash used in investing activities was approximately RMB31.8 million), primarily due to the increase in proceeds from financial assets at fair value through profit or loss; and our net cash used in financing activities was approximately RMB6.6 million (same period in 2024: our net cash used in financing activities was approximately RMB103.5 million), primarily due to the principal and interest payments on lease liabilities and the payment for repurchase of Shares which have been held as treasury shares.

As of June 30, 2025, the Group had current assets of approximately RMB1,469.5 million (as of December 31, 2024: approximately RMB1,454.1 million) and current liabilities of approximately RMB461.1 million (as of December 31, 2024: approximately RMB466.1 million). The current ratio (which is calculated by dividing current assets by current liabilities) increased slightly to approximately 3.2 as of June 30, 2025 from approximately 3.1 as of December 31, 2024.

As of June 30, 2025, our cash and cash equivalents were primarily denominated in RMB or USD.

MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings and Other Indebtedness

As of June 30, 2025, we had not incurred any bank borrowings (as of December 31, 2024: nil).

Charge over assets of the Group

As at June 30, 2025, the Group pledged restricted deposits to issue bank acceptance notes of RMB213.3 million, representing an increase of 1.2% from RMB210.8 million as at December 31, 2024. Such restricted deposits included restricted cash and time deposits.

Gearing Ratio

As of June 30, 2025, 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 0.1% (as of December 31, 2024: 0.3%).

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.

Significant Investments

As of June 30, 2025, we did not hold any significant investments (including any investments in an investee company with a value of 5% or more of our total assets as of June 30, 2025).

Material Acquisitions and Disposals

We did not make any material acquisitions and disposals of our subsidiaries, associates and joint ventures for the six months ended June 30, 2025.

Future Plans for Material Investments or Capital Assets

As of June 30, 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 interim report, we did not have other plans for material investments and capital assets.

Contingent Liabilities

We did not have any material contingent liabilities as of June 30, 2025.

Capital Expenditures and Capital Commitment

As of June 30, 2025, we had no significant capital expenditures or capital commitments.

MANAGEMENT DISCUSSION AND ANALYSIS

Risk Management

Our activities expose us to a variety of financial risks: foreign exchange risk, interest rate risk, credit risk, and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance.

(a) 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.

(b) 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.

EMPLOYEES AND REMUNERATION

As of June 30, 2025, the Group had a total of 211 employees (as of June 30, 2024: 183 employees).

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

MANAGEMENT DISCUSSION AND ANALYSIS

IMPORTANT EVENTS AFFECTING THE GROUP AFTER THE REPORTING PERIOD

Since June 30, 2025 and up to the date of this report, no important events affecting the Group have taken place.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

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

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

Set out below is the status of use of proceeds from the Global Offering as at June 30, 2025.

Purpose	% of use of proceeds	Net proceeds (HK\$) (in millions, except percentages)	Utilized	Unutilized	Expected timeline of full utilization of the unutilized proceeds
			amount as at June 30, 2025 (HK\$)	amount as at June 30, 2025 (HK\$)	
Pursuing acquisition and investment opportunities	35%	295.0	0.0	295.0	By the end of 2027
Product development	25%	210.7	6.0	204.7	By the end of 2027
Sales channel expansion	20%	168.6	0.0	168.6	By the end of 2027
ESG-related investments	10%	84.3	0.0	84.3	By the end of 2027
Working capital and other general corporate	10%	84.4	5.0	79.4	By the end of 2026
Total	100%	843.0	11.0	832.0	

CORPORATE GOVERNANCE AND OTHER INFORMATION

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.

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 of June 30, 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:

(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 ^{(1), (2)}	Interest in a controlled corporation	401,602,000	72.36%	Long position
Ms. Lyu ⁽¹⁾	Interest in a controlled corporation	400,000,000	72.07%	Long position

Notes:

- (1) This includes 400,000,000 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.
- (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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(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 ⁽¹⁾	Beneficial owner	100,000	1%	Long position
Ms. Lyu	Carote Philippines ⁽¹⁾	Beneficial owner	100,000	1%	Long position

Note:

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

Save as disclosed above, so far as is known to the Directors, none of the Directors or the chief executives of the Company had or was deemed to have any interests or short positions in the Shares and underlying Shares or any of its associated corporations as of June 30, 2025.

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

As of June 30, 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 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 ⁽¹⁾	Long position/ Short position
Yili Investment ⁽¹⁾	Beneficial interest	400,000,000	72.07%	Long position
Yili Capital ⁽¹⁾	Interest in a controlled corporation	400,000,000	72.07%	Long position
Guodong Capital ⁽¹⁾⁽²⁾	Interest in a controlled corporation	401,602,000	72.36%	Long position

Notes:

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, the Company is not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as of June 30, 2025.

CHANGE OF ADDRESS OF HEADQUARTERS

With effect from January 20, 2025, the address of the headquarters of the Company in China changed to 3rd–5th Floor, Unit 1, Tower 6, Sunshine City, Xiaoshan District, Hangzhou City, Zhejiang Province, China.

CHANGE IN DIRECTORS' INFORMATION

There has no change in the Directors' biographical details which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CHANGE OF COMPANY SECRETARY AND AUTHORISED REPRESENTATIVE

Mr. Chow Shing Lung replaced Ms. Chan Yuen Mui as the company secretary of the Company, an authorised representative of the Company under Rule 3.05 of the Listing Rules, and an authorised 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), with effect from August 28, 2025.

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

Save as the repurchases set out below, 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) during the Reporting Period. As of June 30, 2025, the Company held 841,000 treasury shares. The Company will utilize such treasury shares as permitted under the Listing Rules including but not limited to sale or transfer, subject to market conditions and its capital management needs.

	Date of repurchased	Number of Shares purchased	Price per Share		Aggregate price paid (HK\$)
			Highest (HK\$)	Lowest (HK\$)	
1	April 17, 2025	29,500	3.83	3.73	111,570
2	April 22, 2025	248,500	3.9	3.89	968,375
3	April 23, 2025	100,000	4.0	4.0	400,000
4	April 28, 2025	500	4.38	4.38	2,190
5	May 2, 2025	144,000	4.87	4.76	699,790
6	May 6, 2025	318,500	4.97	4.92	1,578,920

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to achieving high standards of corporate governance practices to safeguard the interests of the Shareholders and to enhance corporate value and accountability.

The Company had adopted the Corporate Governance Code as its own code on corporate governance. Save as disclosed below, the Board considered that the Company has complied with all applicable code provisions set out in the Corporate Governance Code during the Reporting Period.

Code Provision C.2.1 of Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules recommends, but does not require, that the roles of chairman and chief executive should be separate and that such roles should not be performed by the same person. 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 to the Group since 2019, 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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

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 for Dealings in Securities by Management during the Reporting Period. 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 Reporting Period and up to the date of this report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

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 primary duties of the Company's audit committee are to monitor the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to our financial statements and accounting matters, to review the adequacy of our internal control over financial reporting, to review all related party transactions for potential conflict of interest situations and to approve, as appropriate, such transactions.

The Audit Committee had reviewed, with no disagreement, together with the management, the accounting principles and policies adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial information of the Group for the Reporting Period.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2025 (2024: nil).

ELECTRONIC DISSEMINATION

This Interim Report has been published in both the English and Chinese languages on the Company's website at <https://www.mycarote.com> and the website of the Stock Exchange at www.hkexnews.hk.

If a Shareholder wishes to receive corporate communications (including but not limited to this Interim Report) in printed form, or choose to change their choice as to the language of the printed form, please follow the relevant instructions set out in the "Arrangement of Electronic Dissemination of Corporate Communications" published in March 2025 under "Announcements and Circulars" in "Investor Relations" section of the Company's website, complete the relevant Reply Form and return the completed Reply Form to the Company at bodoffice@carote.cn or by post to 3rd–5th Floor, Unit 1, Tower 6 Sunshine City, Xiaoshan District, Hangzhou, Zhejiang Province, China. Any such request from a Shareholder shall be valid for one year starting from the date of receipt, or until the original request has been revoked in writing or superseded by a subsequent written request, whichever is earlier. A Shareholder wishing to continue to receive corporate communications in printed form after expiry of the original request must submit a fresh Reply Form. If a Shareholder wishes to receive actionable corporate communications by email, please follow the relevant instructions set out in the "Arrangement of Electronic Dissemination of Corporate Communications" published in March 2025 under "Announcements and Circulars" in "Investor Relations" section of the Company's website, complete the relevant Reply Form and return the completed Reply Form to the Company at bodoffice@carote.cn or by post to the Company, at the address above-mentioned.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended June 30,	
	Note	2025 RMB'000	2024 RMB'000
Revenue	2	836,925	955,192
Cost of sales	5	(555,331)	(559,949)
Gross profit		281,594	395,243
Selling expenses	5	(152,183)	(159,654)
Administrative expenses	5	(19,378)	(29,032)
Research and development expenses	5	(17,838)	(21,192)
Net impairment reversal/(losses) of impairment on financial assets		140	(27)
Other income	3	658	2,036
Other gains – net	4	3,007	6,048
Operating profit		96,000	193,422
Finance income	6	25,581	3,596
Finance costs	6	(48)	(171)
Finance income – net		25,533	3,425
Profit before income tax		121,533	196,847
Income tax expense	7	(18,742)	(32,763)
Profit for the period		102,791	164,084
Profit attributable to:			
Owners of the Company		102,785	164,096
Non-controlling interests		6	(12)
		102,791	164,084
Earnings per share attributable to the equity holders of the Company (in RMB)			
Basic earnings per share	9	0.19	0.41
Diluted earnings per share	9	0.19	0.41

The notes on page 29 to 54 are an integral part of these consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended June 30,	
	Note	2025 RMB'000	2024 RMB'000
Profit for the period		102,791	164,084
Other comprehensive (loss)/income:			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences on translation of foreign operations		(999)	(1,886)
<i>Item that will not be reclassified to profit or loss</i>			
Currency translation differences on translation of the Company		(2,739)	342
Other comprehensive loss for the period, net of tax		(3,738)	(1,544)
Total comprehensive income for the period		99,053	162,540
Total comprehensive income attributable to:			
Owners of the Company		99,047	162,552
Non-controlling interests		6	(12)
		99,053	162,540

The notes on page 29 to 54 are an integral part of these consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at June 30, 2025 RMB'000	As at December 31, 2024 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	73,275	71,188
Right-of-use assets	11	2,675	3,678
Time deposits	16	185,836	183,727
Deferred tax assets		10,515	9,080
		272,301	267,673
Current assets			
Inventories	12	172,683	154,849
Trade receivables	13	103,440	85,774
Prepayments, other receivables and other current assets	14	22,883	28,554
Time deposits	16	780,673	766,010
Financial assets at fair value through profit or loss	15	–	36,243
Restricted cash	16	5,500	5,316
Cash and cash equivalents	16	384,364	377,332
		1,469,543	1,454,078
Total assets		1,741,844	1,721,751
EQUITY			
Share capital	17	1,985	1,985
Share premium	17	719,097	790,710
Other equity	17	(3,499)	–
Shares held for shares award scheme	17	(6)	(6)
Reserves	18	(223,659)	(221,040)
Retained earnings		786,896	684,111
		1,280,814	1,255,760
Non-controlling interests		(71)	(77)
Total equity		1,280,743	1,255,683

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at June 30, 2025 RMB'000	As at December 31, 2024 RMB'000
LIABILITIES			
Current liabilities			
Trade and bills payables	20	341,829	397,020
Other payables and accruals	21	101,611	27,287
Current income tax liabilities		16,403	37,633
Deferred tax liabilities		232	–
Lease liabilities	11	1,026	4,128
		461,101	466,068
Total liabilities		461,101	466,068
Total equity and liabilities		1,741,844	1,721,751

The notes on page 29 to 54 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on August 28, 2025 and were signed on its behalf.

Zhang Guodong
Director

Lyu Yili
Director

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company								
		Share capital RMB'000	Share premium RMB'000	Shares held for award scheme RMB'000	Other equity RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at January 1, 2025		1,985	790,710	(6)	–	(221,040)	684,111	1,255,760	(77)	1,255,683
Comprehensive (loss)/income										
Profit for the period		–	–	–	–	–	102,785	102,785	6	102,791
Currency translation differences on translation of foreign operations		–	–	–	–	(999)	–	(999)	*	(999)
Currency translation differences on translation of the Company		–	–	–	–	(2,739)	–	(2,739)	–	(2,739)
Total comprehensive (loss)/income										
		–	–	–	–	(3,738)	102,785	99,047	6	99,053
Transaction with owners in their capacity as owners										
Dividend distribution to the shareholders	8	–	(71,613)	–	–	–	–	(71,613)	–	(71,613)
Acquisition of treasury shares	17	–	–	–	(3,499)	–	–	(3,499)	–	(3,499)
Share-based payment	19	–	–	–	–	1,119	–	1,119	–	1,119
Transaction with owners in their capacity as owners										
		–	(71,613)	–	(3,499)	1,119	–	(73,993)	–	(73,993)
As at June 30, 2025										
		1,985	719,097	(6)	(3,499)	(223,659)	786,896	1,280,814	(71)	1,280,743

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

The notes on page 29 to 54 are an integral part of these consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the Company								
Note	Share	Share	Shares held	Reserves	Retained	Total	Non-	Total equity
	capital	premium	for shares award scheme		earnings		controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2024	1,460	137,208	(6)	(244,115)	328,117	222,664	(43)	222,621
Comprehensive (loss)/income								
Profit/(loss) for the period	–	–	–	–	164,096	164,096	(12)	164,084
Currency translation differences on translation of foreign operations	–	–	–	(1,886)	–	(1,886)	*	(1,886)
Currency translation differences on translation of the Company	–	–	–	342	–	342	–	342
Total comprehensive (loss)/income	–	–	–	(1,544)	164,096	162,552	(12)	162,540
Transaction with owners in their capacity as owners								
Dividend distribution to the shareholders	8	–	(100,000)	–	–	(100,000)	–	(100,000)
Share-based payment	19	–	–	1,047	–	1,047	–	1,047
Transaction with owners in their capacity as owners	–	(100,000)	–	1,047	–	(98,953)	–	(98,953)
As at June 30, 2024	1,460	37,208	(6)	(244,612)	492,213	286,263	(55)	286,208

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

The notes on page 29 to 54 are an integral part of these consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Six months ended June 30,	
	Note	2025 RMB'000	2024 RMB'000
Cash flows from operating activities			
Net cash generated from operations		16,776	130,795
Interest received from cash at banks		5,723	1,216
Income taxes paid		(41,175)	(42,147)
Net cash (used in)/generated from operating activities		(18,676)	89,864
Cash flows from investing activities			
Payments for property, plant and equipment		(3,685)	(96)
Proceeds from time deposits		–	267,500
Payments for time deposits		–	(305,700)
Interest received from time deposits		–	6,448
Proceeds from financial assets at fair value through profit or loss		37,054	–
Repayment of loans to related parties	24	–	7
Net cash generated from/(used in) investing activities		33,369	(31,841)
Cash flows from financing activities			
Interest paid on borrowings		–	(81)
Payments for listing expenses		–	(2,583)
Principal payments and interest paid of lease liabilities		(3,150)	(878)
Acquisition of treasury shares		(3,499)	–
Dividend paid to the shareholders	8	–	(100,000)
Net cash used in financing activities		(6,649)	(103,542)
Net increase/(decrease) in cash and cash equivalents		8,044	(45,519)
Cash and cash equivalents at beginning of the period	16	377,332	236,064
Effects of exchange rate changes on cash and cash equivalents		(1,012)	285
Cash and cash equivalents at end of the period	16	384,364	190,830

The notes on page 29 to 54 are an integral part of these consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

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.

The Group has reviewed its exposure to climate-related and other emerging business risks, and has not identified any risks that could significantly impact the financial performance or position of the Group as at June 30, 2025. The Group has sufficient working capital to service its operating activities as at June 30, 2025.

2 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:

	Six months ended June 30,	
	2025 RMB’000	2024 RMB’000
America	568,822	562,184
Mainland China	134,297	163,916
Japan	58,327	51,310
Southeast Asia	21,939	31,739
Western Europe	18,632	100,352
Other	34,908	45,691
	836,925	955,192

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2 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:

	Six months ended June 30,	
	2025 RMB'000	2024 RMB'000
– Online sales, business through third-party e-commerce platforms to individuals	663,673	812,640
– Original design manufacturer business	59,374	114,762
– Others	113,878	27,790
	836,925	955,192

(c) Revenue from major customers

During the six months ended June 30, 2025 and 2024, none of the customers individually contributed over 10% of the total revenue of the Group.

3 OTHER INCOME

	Six months ended June 30,	
	2025 RMB'000	2024 RMB'000
Government grants (i)	194	1,854
Others	464	182
	658	2,036

- (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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4 OTHER GAINS – NET

	Six months ended June 30,	
	2025 RMB'000	2024 RMB'000
Net foreign exchange gains	2,333	5,689
Net fair value gains on financial assets at fair value through profit or loss (Note 15)	811	–
Others	(137)	359
	3,007	6,048

5 EXPENSES BY NATURE

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

	Six months ended June 30,	
	2025 RMB'000	2024 RMB'000
Cost of inventories sold	388,284	422,434
Raw materials and consumables used	16,276	20,432
Freight and storage expenses	160,204	132,403
Commission to e-commerce platforms	105,032	105,664
Marketing and advertising expenses	38,392	42,617
Employee benefit expenses	17,413	17,395
Legal and professional fees	2,739	2,419
Auditors' remuneration – Audit services	1,664	20
Depreciation of property, plant and equipment (Note 10)	1,485	1,752
Depreciation of right-of-use assets (Note 11)	1,003	1,613
Office expenses	968	671
Listing expenses	–	11,105
Short-term leases expense (Note 11)	–	60
Others	11,270	11,242
	744,730	769,827

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6 FINANCE INCOME, NET

	Six months ended June 30,	
	2025	2024
	RMB'000	RMB'000
Finance income:		
Interest income on time deposits	19,858	2,380
Interest income on cash at banks	5,723	1,216
	25,581	3,596
Finance costs:		
Interest expenses on borrowings	–	(62)
Interest expenses on lease liabilities (Note 11)	(48)	(109)
	(48)	(171)
Finance income, net	25,533	3,425

7 INCOME TAX EXPENSES

	Six months ended June 30,	
	2025	2024
	RMB'000	RMB'000
Current tax on profits for the period	19,945	38,439
Deferred income tax	(1,203)	(5,676)
	18,742	32,763

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7 INCOME TAX EXPENSES (Continued)

(a) Cayman Islands income tax

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

(b) Hong Kong profits tax

The Company's subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 8.25% on assessable profits up to HK\$2,000,000 and 16.5% on any part of assessable profits over HK\$2,000,000 for the six months ended June 30, 2025 and 2024.

(c) United States income tax

Carote USA LLC ("**Carote USA**") was established in California, the United States. The corporate income tax rate of Carote USA is subject to both federal income tax rate and California income tax rate, which are 21% and 8.84% respectively for the six months ended June 30, 2025 and 2024.

(d) Japan income tax

Enterprises incorporated in Japan are subject to income tax rate at the state level of 23.2% during the six months ended June 30, 2025 and 2024.

(e) Singapore corporate income tax ("**Singapore CIT**")

The Group's subsidiary in Singapore is subject to Singapore CIT which is calculated based on the applicable tax rate of 17% on the assessable profits of the subsidiaries in accordance with Singapore tax laws and regulations for the six months ended June 30, 2025 and 2024.

(f) PRC corporate income tax ("**CIT**")

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

Zhejiang Carote Industry & Trade Co., Ltd. 浙江卡羅特工貿有限公司 ("**Zhejiang Carote**"), a subsidiary of the Company, was recognized as the High New Tech Enterprises in December 2019. According to the tax incentives of the Corporate Income Tax Law of the People's Republic of China (the "**CIT Law**") for High New Tech Enterprises, Zhejiang Carote is subject to a reduced corporate income tax rate of 15% for three years commencing from the first year when it was recognized as the High New Tech Enterprises. Zhejiang Carote obtained the approval for renewal of the qualification for another three-year period commencing 2022. Accordingly, Zhejiang Carote was entitled to a preferential income tax rate of 15% during the six months ended June 30, 2025 and 2024.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7 INCOME TAX EXPENSES (Continued)

(g) PRC withholding income tax

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

8 DIVIDENDS

Pursuant to the resolution of the annual general meeting held on May 30, 2025, dividends of HKD78,144,366 (equivalent to RMB71,613,000) were approved by the Company to its shareholders, and were paid in cash in August 2025.

Pursuant to the resolution of the shareholders' meeting of the Company held on March 3, 2024, dividends of RMB100,000,000 were approved by the Company to its shareholders. 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.

	Six months ended June 30,	
	2025 RMB'000	2024 RMB'000
Declaration of dividends	71,613	100,000
Dividends paid	–	(100,000)
Dividend payable at the end of the period	71,613	–

The board of directors does not recommend the payment of an interim dividend in respect of the six months ended June 30, 2025 (2024: nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9 EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the six months ended June 30, 2025 and 2024.

	Six months ended June 30,	
	2025 RMB'000	2024 RMB'000
Profit attributable to the ordinary equity holders of the Company (RMB'000)	102,785	164,096
Weighted average number of ordinary shares in issue	553,109,697	404,058,600
Basic earnings per share (expressed in RMB per share)	0.19	0.41

(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 six months ended June 30, 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 June 30, 2024, the condition has not been met, thus the potential issuable shares were not included in the calculation of diluted earnings per share during the period reported. Accordingly, diluted earnings per share is equal to basic earnings per share throughout the six months ended June 30, 2024. As of June 30, 2025, the condition has met, the calculation of diluted earnings per share is shown as below:

	Six months ended June 30,	
	2025 RMB'000	2024 RMB'000
Profit attributable to the ordinary equity holders of the Company (RMB'000)	102,785	164,096
Weighted average number of ordinary shares in issue	553,109,697	404,058,600
Adjustments for share awards	804,010	–
Weighted average number of ordinary shares for diluted earnings per share	553,913,707	404,058,600
Diluted earnings per share (expressed in RMB per share)	0.19	0.41

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery and molds RMB'000	Vehicles RMB'000	Electronic equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
As at January 1, 2024						
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
Year ended December 31, 2024						
Opening net book amount	3,935	111	6,744	165	–	10,955
Additions	–	–	288	–	63,183	63,471
Disposals	–	–	(209)	–	–	(209)
Depreciation charge	(291)	(23)	(2,697)	(18)	–	(3,029)
Closing net book amount	3,644	88	4,126	147	63,183	71,188
As at December 31, 2024						
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
Six months ended June 30, 2025						
Opening net book amount	3,644	88	4,126	147	63,183	71,188
Additions	–	–	864	306	2,402	3,572
Depreciation charge (Note 5)	(146)	(11)	(1,307)	(21)	–	(1,485)
Closing net book amount	3,498	77	3,683	432	65,585	73,275
As at June 30, 2025						
Cost	6,130	251	11,660	676	65,585	84,302
Accumulated depreciation	(2,632)	(174)	(7,977)	(244)	–	(11,027)
Net book amount	3,498	77	3,683	432	65,585	73,275

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11 LEASES

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

	As at June 30, 2025 RMB'000	As at December 31, 2024 RMB'000
Right-of-use assets		
Warehouse	2,675	3,678
Lease liabilities		
Current	1,026	4,128

Additions to right-of-use assets during the six months ended June 30, 2025 and 2024 were nil.

(ii) Amounts recognized in the consolidated statements of comprehensive income

	Six months ended June 30, 2025 RMB'000	2024 RMB'000
Depreciation charge of right-of-use assets (Note 5)		
Office	–	610
Warehouse	1,003	1,003
	1,003	1,613
Interest expenses on lease liabilities (Note 6)	48	109
Expense relating to short-term leases (included in cost of sales and administrative expenses) (Note 5)	–	60
	1,051	1,782

The total cash outflow for leases for the six months ended June 30, 2025 and 2024 were approximately RMB3,150,000 and RMB878,000, respectively.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12 INVENTORIES

	As at June 30, 2025 RMB'000	As at December 31, 2024 RMB'000
Finished goods	172,591	152,554
Raw materials and parts	92	2,295
Less: provision for inventories	—	—
	172,683	154,849

(i) Amounts recognized in profit or loss

Inventories recognized as an expense during the six months ended June 30, 2025 and 2024 amounted to RMB404,560,000 and RMB443,305,000, respectively. These were included in cost of sales.

13 TRADE RECEIVABLES

	As at June 30, 2025 RMB'000	As at December 31, 2024 RMB'000
Trade receivables	103,541	86,023
Less: allowance for impairment	(101)	(249)
Total	103,440	85,774

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13 TRADE RECEIVABLES (Continued)

(i) Aging analysis of trade receivables

As at June 30, 2025 and December 31, 2024, the aging analysis of trade receivables based on invoice date, is as follows:

	As at June 30, 2025 RMB'000	As at December 31, 2024 RMB'000
Less than 3 months	99,246	79,368
3 months to 6 months	4,295	6,483
6 months to 9 months	–	86
9 months to 12 months	–	86
	103,541	86,023

14 PREPAYMENTS, OTHER RECEIVABLES, AND OTHER CURRENT ASSETS

	As at June 30, 2025 RMB'000	As at December 31, 2024 RMB'000
Other receivables		
– Refundable deposits	7,777	7,007
– Export tax refundable	5,874	11,256
– Due from a related party (Note 24)	350	350
– Others	686	444
	14,687	19,057
Less: provision for impairment	(34)	(26)
	14,653	19,031
Prepayment for purchase of inventory	315	–
Input VAT to be deducted	7,915	9,523
Total	22,883	28,554

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Classification of financial assets at fair value through profit or loss ("FVPL")

The Group classifies the followings as financial assets at FVPL:

- debt investments that do not qualify for measurement at either amortized cost or fair value through other comprehensive income;
- 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 other comprehensive income.

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

	As at June 30, 2025 RMB'000	As at December 31, 2024 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.

(b) Amounts recognized in profit or loss

During the period, the following gains were recognized in the consolidated statement of profit or loss:

	Six months ended June 30, 2025 RMB'000	2024 RMB'000
Fair value gains on financial assets at FVPL recognized in other gains (Note 4)		
– realized	811	–

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16 CASH AND BANK BALANCES

	As at June 30, 2025 RMB'000	As at December 31, 2024 RMB'000
Cash and bank balances	1,356,373	1,332,385
Less: restricted cash (ii)	(5,500)	(5,316)
Less: time deposits (iii)	(966,509)	(949,737)
Cash and cash equivalents	384,364	377,332

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

	As at June 30, 2025 RMB'000	As at December 31, 2024 RMB'000
– USD	1,070,552	1,076,974
– RMB	263,801	237,105
– HKD	6,939	2,274
– JPY	3,619	8,091
– GBP	2,417	756
– EUR	2,317	1,398
– IDR	2,315	3,446
– PHP	1,207	797
– INR	1,134	1,436
– Others	2,072	108
	1,356,373	1,332,385

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16 CASH AND BANK BALANCES (Continued)

(ii) The Group's restricted cash comprised:

	As at June 30, 2025 RMB'000	As at December 31, 2024 RMB'000
Bank balances		
– Pledged for bank acceptance notes issuance (Note 20)	5,500	5,316

(iii) The restricted short-term time deposits of RMB22,013,000 and long-term time deposits of RMB185,836,000 as at June 30, 2025 (as at December 31, 2024: RMB21,788,000 and RMB183,727,000 respectively) were all pledged to the bank for issuance of bank acceptance notes (Note 20).

17 SHARE CAPITAL, SHARES HELD FOR SHARES AWARD SCHEME, SHARE PREMIUM AND OTHER EQUITY

	Number of shares	Nominal value of shares USD'000
Authorized		
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, 2024 and June 30, 2025	2,000,000,000	1,000,000

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17 SHARE CAPITAL, SHARES HELD FOR SHARES AWARD SCHEME, SHARE PREMIUM AND OTHER EQUITY (Continued)

	Number of shares	Share capital USD'000	Share capital RMB'000	Share premium RMB'000	Other equity RMB'000	Shares held for shares award scheme RMB'000
Issued						
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)
Acquisition of treasury shares (e)	(841,000)	–	–	–	(3,499)	–
Dividend distribution to the shareholders (f)	–	–	–	(71,613)	–	–
As at June 30, 2025	554,161,600	278	1,985	719,097	(3,499)	(6)

- (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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17 SHARE CAPITAL, SHARES HELD FOR SHARES AWARD SCHEME, SHARE PREMIUM AND OTHER EQUITY (Continued)

- (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.
- (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 six months ended June 30, 2025, the Company repurchased an aggregate number of 841,000 of its own shares from the market, which had not been cancelled as at June 30, 2025. The shares were repurchased at prices ranging from HK\$3.73 to HK\$4.97 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 in August 2025.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18 RESERVES

	Capital reserve RMB'000	Share-based payment reserves RMB'000	Statutory surplus reserve RMB'000	Foreign currency translation reserve RMB'000	Total RMB'000
As at January 1, 2025	(265,366)	3,778	15,000	25,548	(221,040)
Share-based payment	–	1,119	–	–	1,119
Other currency translation differences	–	–	–	(3,738)	(3,738)
As at June 30, 2025	(265,366)	4,897	15,000	21,810	(223,659)

	Capital reserve RMB'000	Share-based payment reserves RMB'000	Statutory surplus reserve RMB'000	Foreign currency translation reserve RMB'000	Total RMB'000
As at January 1, 2024	(265,366)	1,598	15,000	4,653	(244,115)
Share-based payment	–	1,047	–	–	1,047
Other currency translation differences	–	–	–	(1,544)	(1,544)
As at June 30, 2024	(265,366)	2,645	15,000	3,109	(244,612)

19 SHARE-BASED PAYMENT

Share-based payment expenses were recognized in profit or loss for the six months ended June 30, 2025 and 2024 as follows:

	Six months ended June 30,	
	2025	2024
	RMB'000	RMB'000
Selling expenses	839	785
Administrative expenses	280	262
	1,119	1,047

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19 SHARE-BASED PAYMENT (Continued)

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 the date the Company adopted the Amended and Restated Share Incentive Plan (“**Legacy Plan**”), and Carote CM Limited Partnership was set up in the 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 just the change to the form of the plan due to the reorganization.

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

The share awards granted to the Incentive Targets were regarded as equity-settled share-based payment, and the awards are conditional upon the successful completion of 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 amortized over the vesting period of the shares grant.

Set out below are the movement in the number of awarded restricted shares:

	Number of restricted shares	Weighted average grant date fair value RMB
As at January 1, 2024	80,000	103.15
Share subdivision (Note 17 (a))	1,520,000	–
As at December 31, 2024 and June 30, 2025	1,600,000	5.16

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20 TRADE AND BILLS PAYABLES

	As at June 30, 2025 RMB'000	As at December 31, 2024 RMB'000
Trade payables	125,749	147,230
Bills payables	216,080	249,790
	341,829	397,020

The bills payables have maturity terms ranging from 6 to 12 months. And the issuance of these bills payables are secured by certain time deposits (Note 16).

As at June 30, 2025 and December 31, 2024, the aging analysis of the trade and bills payables based on invoice date was as follows:

	As at June 30, 2025 RMB'000	As at December 31, 2024 RMB'000
Within 3 months	291,303	212,389
Between 3 months and 1 year	49,452	184,263
Over one year	1,074	368
	341,829	397,020

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21 OTHER PAYABLES AND ACCRUALS

	As at June 30, 2025 RMB'000	As at December 31, 2024 RMB'000
Dividend payable (Note 8)	71,613	–
Other taxes payables	15,942	17,450
Payroll and welfare payables	4,249	5,983
Accrued expenses	3,397	3,372
Others	6,410	482
	101,611	27,287

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

22 COMMITMENTS

Capital commitments

	As at June 30, 2025 RMB'000	As at December 31, 2024 RMB'000
Contracted but not provided for		
– Purchase of property, plant and equipment	144	1,698

23 CONTINGENCIES

As at June 30, 2025 and December 31, 2024, the Group had no material contingent liabilities.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

24 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, to joint control over the party or exercise significant influence over the other party in making financial and operation decisions, or vice versa. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The following significant transactions were carried out between the Group and its related parties during the reporting periods. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Names and relationships with related parties

The directors of the Company are of the view that the following parties were related parties that had transactions or balances with the Group for the six months ended June 30, 2025 and 2024:

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

(b) Transactions with related parties

Related party transactions of the Group are listed as follows:

	Six months ended June 30,	
	2025 RMB'000	2024 RMB'000
Interest expenses of lease liabilities		
Zhejiang Leshengen	48	93
Repayment of loans to a related party		
Zhejiang Taige Electric	—	7

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

24 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with a related party

	As at June 30, 2025 RMB'000	As at December 31, 2024 RMB'000
Other receivables (trade in nature)		
Zhejiang Leshengen	350	350
Less: allowance for credit losses	(1)	(1)
	349	349
Lease liabilities (trade in nature)		
Zhejiang Leshengen	1,026	4,128

As at June 30, 2025 and December 31, 2024, the receivables and payables with related parties were interest-free, unsecured and payable on demand.

(d) Key management compensation

Key management includes directors (executive and non-executive) and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Six months ended June 30,	
	2025 RMB'000	2024 RMB'000
Basic salaries	778	775
Discretionary bonuses	480	465
Pension obligations	16	16
Housing funds, medical insurances and other social insurances	16	16
Share-based payment expenses	630	589
	1,920	1,861

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

There are no financial assets/liabilities carried at fair value determined by valuation method. The carrying value of cash and cash equivalents, restricted bank deposits, trade and other receivables and financial liabilities including trade and other payables and borrowings are assumed to approximate their fair values.

26 BASIS OF PREPARATION

This unaudited condensed consolidated financial statements for the six months ended June 30, 2025 have been prepared in accordance with HKAS 34 Interim Financial Reporting.

The interim report does not include all the notes normally included in an annual consolidated financial statements. Accordingly, this report should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2024.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

26.1 New standards and interpretations

(a) New or amended standard adopted by the Group

The accounting policies applied are consistent with those as described in the Accountant's Report, except for the adoption of new standards, amendments and interpretations of HKFRSs effective for the six months ended June 30, 2025. An amended standard became applicable for the current reporting period.

**Effective for annual
periods beginning
on or after**

Amendments to HKAS 21	Lack of Exchangeability	January 1, 2025
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The amended standard listed above did not have any impact on the amounts recognized in prior period and is not expected to significantly affect the current or future period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

26 BASIS OF PREPARATION (Continued)

26.1 New standards and interpretations (Continued)

(b) Impact of standards issued but not yet applied by the entity

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 HKFRS 9 and HKFRS 7	Amendments to the 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 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.

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 UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

26 BASIS OF PREPARATION (Continued)

26.1 New standards and interpretations (Continued)

(b) Impact of standards issued but not yet applied by the entity (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 gains/(losses) – 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

26 BASIS OF PREPARATION (Continued)

26.1 New standards and interpretations (Continued)

(b) Impact of standards issued but not yet applied by the entity (Continued)

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.

The application of HKFRS 18 is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the statement of profit or loss and comprehensive income and statement of cash flows and disclosures in the future financial information. The Group will continue to assess the impact of HKFRS 18 on the Group's financial information.

27 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by or impacted on the Company or the Group subsequent to June 30, 2025 and up to the date of this report.