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Goodbaby

International

Goodbaby International Holdings Limited

好孩子國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1086)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023 AND PROPOSED ADOPTION OF THE THIRD AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION

Financial Highlights	For the year ended 31 December		Year-on-year change
	2023	2022	
	<i>(HK\$ in millions, unless specified)</i>		
Revenue	7,927.3	8,292.2	-4.4%
Gross profit	3,967.7	3,355.9	18.2%
Operating profit ¹	368.4	100.8	265.5%
Non-GAAP ² operating profit	409.9	146.9	179.0%
Profit for the year	208.5	40.1	420.0%
Non-GAAP profit for the year	239.9	79.0	203.7%
Profit for the year attributable to owners of the parent	203.5	33.5	507.5%
EPS (HK\$)			
– basic	0.12	0.02	500%
– diluted	0.12	0.02	500%

¹ Operating profit represents the total sum of gross profit, other income and gains, less selling and distribution expenses, administrative expenses and other expenses.

² We adopted non-GAAP financial measures in order to more clearly illustrate our financial results, and to be more consistent with what we believe to be the industry practice. These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, analysis of the Company's financial performance prepared in accordance with IFRS. In addition, these non-GAAP financial measures may be defined differently from similar terms used by other companies. Please see "Non-GAAP Financial Measures" for details.

The board (the “**Board**”) of directors (the “**Directors**”) of Goodbaby International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) announces the consolidated results of the Group for the year ended 31 December 2023 (the “**Period**”), together with the comparative figures for the year ended 31 December 2022 as below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	<i>Notes</i>	2023 <i>(HK\$'000)</i>	2022 <i>(HK\$'000)</i>
Revenue	4	7,927,326	8,292,152
Cost of sales		(3,959,612)	(4,936,271)
Gross profit		3,967,714	3,355,881
Other income and gains	4	129,413	165,429
Selling and distribution expenses		(2,266,661)	(2,072,449)
Administrative expenses		(1,461,562)	(1,345,590)
Other expenses		(539)	(2,437)
Finance income	5	48,199	42,971
Finance costs	6	(215,552)	(137,906)
Share of profits and losses of:			
Joint ventures		(4,192)	(4,621)
An associate		(390)	(85)
PROFIT BEFORE TAX	7	196,430	1,193
Income tax credit	8	12,031	38,935
PROFIT FOR THE YEAR		208,461	40,128
Attributable to:			
Owners of the parent		203,496	33,487
Non-controlling interests		4,965	6,641
		208,461	40,128
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE			
PARENT:	10		
Basic			
For profit for the year (HK\$)		0.12	0.02
Diluted			
For profit for the year (HK\$)		0.12	0.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 (HK\$'000)	2022 (HK\$'000)
PROFIT FOR THE YEAR	208,461	40,128
OTHER COMPREHENSIVE INCOME/(LOSS) <i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Cash flow hedges		
Effective portion of changes in fair value of hedging instruments arising during the year	(112,061)	(56,530)
Reclassification adjustments for losses included in the consolidated statement of profit or loss	105,831	30,066
Income tax effect	715	3,666
	(5,515)	(22,798)
Exchange differences on translation of foreign operations	(99,987)	(572,752)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(105,502)	(595,550)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Actuarial (losses)/gains of defined benefit plans	(82)	384
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	(82)	384
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(105,584)	(595,166)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	102,877	(555,038)
Attributable to:		
Owners of the parent	97,605	(559,460)
Non-controlling interests	5,272	4,422
	102,877	(555,038)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	<i>Notes</i>	31 December 2023 (HK\$'000)	31 December 2022 (HK\$'000)
NON-CURRENT ASSETS			
Property, plant and equipment		888,935	986,099
Right-of-use assets		276,546	330,552
Goodwill		2,608,675	2,631,379
Other intangible assets		2,045,025	2,086,571
Investments in joint ventures		5,191	9,497
Investment in an associate		8,333	4,396
Deferred tax assets		85,142	67,413
Pledged deposits		–	829,430
Time deposits		–	302,258
Other long-term assets		4,179	11,197
		<hr/>	<hr/>
Total non-current assets		5,922,026	7,258,792
CURRENT ASSETS			
Inventories	11	1,462,781	1,902,009
Trade receivables	12	1,175,812	997,328
Prepayments and other receivables		597,599	572,204
Due from related parties		6,397	2,503
Financial assets at fair value through profit or loss		55,011	28,519
Cash and cash equivalents		981,899	921,961
Pledged deposits		612,028	16,018
Time deposits		549,998	–
Derivative financial instruments	13	9,903	15,361
		<hr/>	<hr/>
Total current assets		5,451,428	4,455,903
CURRENT LIABILITIES			
Trade and bills payables	14	1,304,386	1,169,653
Other payables and accruals		920,041	784,438
Income tax payable		55,405	32,019
Provision		48,550	72,167
Interest-bearing bank loans and other borrowings	15	2,705,829	1,181,953
Lease liabilities		107,127	102,936
Derivative financial instruments	13	42,013	44,098
Due to related parties		502	730
Defined benefit plan liabilities		379	359
		<hr/>	<hr/>
Total current liabilities		5,184,232	3,388,353
NET CURRENT ASSETS		<hr/>	<hr/>
		267,196	1,067,550
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		6,189,222	8,326,342

	<i>Notes</i>	31 December 2023 (HK\$'000)	31 December 2022 (HK\$'000)
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	15	88,018	2,172,825
Provision		25,451	29,295
Defined benefit plan liabilities		2,775	2,882
Other liabilities		1,563	1,934
Lease liabilities		148,518	197,236
Deferred tax liabilities		295,164	364,517
		<hr/>	<hr/>
Total non-current liabilities		561,489	2,768,689
		<hr/>	<hr/>
Net assets		5,627,733	5,557,653
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital		16,680	16,680
Reserves		5,585,685	5,499,998
		<hr/>	<hr/>
		5,602,365	5,516,678
		<hr/>	<hr/>
Non-controlling interests		25,368	40,975
		<hr/>	<hr/>
Total equity		5,627,733	5,557,653
		<hr/>	<hr/>

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands on 14 July 2000 as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 24 November 2010.

The Group is principally engaged in design, research and development ("**R&D**"), manufacturing, marketing and distribution of products for children.

Information about subsidiaries

Particulars of the Company's principal subsidiaries as at the reporting date are as follows:

Name of company	Place and date of incorporation/ registration and place of operation	Percentage of equity interest attributable to the Company		Issued ordinary/ registered share capital	Principal activities
		Direct	Indirect		
Subsidiaries					
Goodbaby (Hong Kong) Limited (" GBHK ")	Hong Kong, 23 July 1999	100%	–	Hong Kong Dollar (" HK\$ ") 1,001	Investment holding and sales agent company
Goodbaby Child Products Co., Ltd. (" GCPC ") (Notes (a), (b) and (c))	The People's Republic of China (" PRC/Chinese Mainland "), 18 November 1994	–	100%	United States Dollar (" US\$ ") 66,660,000	Manufacture, distribution and sale of safety belts, cloth sets, car safety seats, car components for children, infant strollers and bicycles
Ningbo Goodbaby Child Products Co., Ltd. (" GCPN ") (Notes (a) and (b))	PRC/Chinese Mainland, 9 September 1996	–	85%	Renminbi (" RMB ") 10,000,000	Manufacture, distribution and sale of child cloth beds, infant strollers, bath chairs for children and stadium chairs
Pingxiang Goodbaby Child Products Co., Ltd. (" GCPX ") (Notes (a) and (b))	PRC/Chinese Mainland, 26 December 2011	–	100%	RMB2,000,000	Manufacture, distribution and sale of child cloth beds, infant strollers, bath chairs for children and stadium chairs
EQO Testing and Certification Services Co., Ltd. (" EQTC ") (Notes (a) and (b))	PRC/Chinese Mainland, 30 November 2012	–	100%	RMB50,000,000	Testing of children's products, tools, electronic products and advisory service for risk valuation of product quality
Serena Merger Co., Inc. (" SERE ")	The United States (" U.S. "), 28 May 2014	–	100%	US\$1,000	Investment holding

Name of company	Place and date of incorporation/ registration and place of operation	Percentage of equity interest attributable to the Company		Issued ordinary/ registered share capital	Principal activities
		Direct	Indirect		
Subsidiaries					
Evenflo Company, Inc. (“EFCD”)	U.S., 1 October 1992	–	100%	US\$86,500	Manufacture, distribution and sale of car safety seats, infant strollers and baby related products
Muebles Para Ninos De Baja, S.A. De C.V. (“EFMX”)	Mexico, 29 June 1987	–	100%	Mexican Peso (“MXN”) 1,720,000	Manufacture of baby related products
Goodbaby Canada Inc. (“EFCA”)	Canada, 18 March 1991	–	100%	US\$7,000	Distribution and sale of baby related products
Columbus Trading-Partners GmbH & Co. KG (“CTPE”)	Germany, 26 February 2016	–	100%	Euro (“EUR”) 100	Distribution and sale of car safety seats, infant strollers and other parenting products
Goodbaby Czech Republic s.r.o. (“GBCZ”)	Czech Republic, 8 February 2016	–	100%	Czech Koruna (“CZK”) 200,000	IT services and a share service centre
Goodbaby (Europe) GmbH & Co KG (“GEGC”)	Germany, 28 January 2014	–	100%	EUR100	Investment holding
Cybex GmbH (“CBGM”)	Germany, 5 March 2014	–	100%	EUR33,400	Purchase, sale, holding and management of participating interests and development and production of child car-seats, strollers, child carrying systems, pushchairs, high chairs and other products for children
GB GmbH (“GBGM”)	Germany, 21 August 2015	–	100%	EUR25,000	Purchase, sale, holding and management of participating interests and development and production of child car-seats, strollers, child carrying systems, pushchairs, high chairs and other products for children
Columbus Trading Partners USA Inc. (“CBUS”)	U.S., 24 November 2014	–	100%	US\$1	Distribution and sale of car safety seats, infant strollers and other parenting products
Columbus Trading Partners Japan Limited (“CBJP”)	Japan, 20 February 2018	–	100%	Japanese Yen (“JPY”) 2,200,000	Distribution and sale of car safety seats, infant strollers and other parenting products

Name of company	Place and date of incorporation/ registration and place of operation	Percentage of equity interest attributable to the Company		Issued ordinary/ registered share capital	Principal activities
		Direct	Indirect		
Subsidiaries					
Cybox Retail GmbH ("CBRG")	Germany, 20 October 2021	–	100%	EUR25,000	Wholesale and retail of children's products
Goodbaby (China) Retail & Service Company ("GRCN") <i>(Notes (a), (b) and (c))</i>	PRC/Chinese Mainland, 11 May 2016	–	100%	RMB50,000,000	Wholesale and retail of children's products
Shanghai Goodbaby Children Fashion Co., Ltd. ("SHFS") <i>(Notes (a) and (b))</i>	PRC/Chinese Mainland, 20 January 1998	–	100%	RMB20,000,000	Distribution and retail business of children's products
Goodbaby Nantong Fashion Co., Ltd. ("NTFS") <i>(Notes (a) and (b))</i>	PRC/Chinese Mainland, 19 March 2015	–	80%	RMB10,000,000	Wholesale and retail of children's products

Note (a) Limited liability companies established in the PRC

Note (b) English names for identification only

Note (c) Registered as wholly-foreign-owned enterprises in the PRC

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) issued by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for call and put options over non-controlling interests, derivative financial instruments and wealth management products which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements:

IFRS 17	<i>Insurance Contracts</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and the impact of the new and revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.
- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has not applied the initial recognition exception and recognised deferred tax assets and deferred tax liabilities respectively for all transactions fallen within the scope of the amendments in prior years, the amendments had no impact on the Group's financial statements.

- (d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. The Group has not yet applied the temporary exception during the current year because the entities comprising the Group are operating in jurisdictions in which the Pillar Two tax law has not yet been enacted or substantively enacted. The Group will disclose known or reasonably estimable information related to its exposure to Pillar Two income taxes in the consolidated financial statements by the time when the Pillar Two tax law has been enacted or substantively enacted and will disclose separately the current tax expense or income related to Pillar Two income taxes when it is in effect.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) the strollers and accessories segment, which engages in the research, design, manufacture and sale of strollers and accessories under the Group's own brands and third parties' brands;
- (b) the car seats and accessories segment, which engages in the research, design, manufacture and sale of car seats and accessories under the Group's own brands and third parties' brands;
- (c) the non-durable products segment, which includes maternity and baby-care products and apparel and home textile products; and
- (d) the "others" segment, which engages in the research, design, manufacture and sale of other children's products under the Group's own brands and third parties' brands.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment revenue.

Year ended 31 December 2023

	Strollers and accessories (HK\$'000)	Car seats and accessories (HK\$'000)	Non-durable products (HK\$'000)	Others (HK\$'000)	Consolidated (HK\$'000)
Segment revenue					
Sales to external customers	3,175,925	3,316,707	639,985	794,709	7,927,326
Segment results					
Other income and gains	1,667,338	1,726,323	294,179	279,874	3,967,714
Corporate and other unallocated expenses					129,413
Other expenses					(3,740,049)
Finance income					(539)
Finance costs (other than interest on lease liabilities)					48,199
Share of profits and losses of joint ventures					(203,726)
Share of profits and losses of an associate					(4,192)
					(390)
Profit before tax					196,430
Other segment information:					
Impairment losses recognised in the statement of profit or loss, net	18,733	18,889	7,959	3,098	48,679
Depreciation and amortisation	196,236	182,271	48,247	38,271	465,025

Year ended 31 December 2022

	Strollers and accessories (HK\$'000)	Car seats and accessories (HK\$'000)	Non-durable products (HK\$'000)	Others (HK\$'000)	Consolidated (HK\$'000)
Segment revenue					
Sales to external customers	3,313,938	3,190,042	799,695	988,477	8,292,152
Segment results					
Other income and gains	1,383,169	1,312,367	396,174	264,171	3,355,881
Other income and gains					165,429
Corporate and other unallocated expenses					(3,429,044)
Other expenses					(2,437)
Finance income					42,971
Finance costs (other than interest on lease liabilities)					(126,901)
Share of profits and losses of joint ventures					(4,621)
Share of profits and losses of an associate					(85)
Profit before tax					1,193
Other segment information:					
Impairment losses recognised in the statement of profit or loss, net	7,881	4,584	3,500	1,413	17,378
Depreciation and amortisation	207,428	184,493	46,129	44,024	482,074

Geographical information

(a) Revenue from external customers

	European market (HK\$'000)	North America market (HK\$'000)	Chinese Mainland market (HK\$'000)	Other overseas markets (HK\$'000)	Total (HK\$'000)
Year ended 31 December 2023					
Segment revenue:					
Sales to external customers	3,166,218	2,883,832	1,294,571	582,705	7,927,326
Year ended 31 December 2022					
Segment revenue:					
Sales to external customers	3,124,784	3,011,209	1,616,200	539,959	8,292,152

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2023 (HK\$'000)	2022 (HK\$'000)
Chinese Mainland	3,794,361	5,156,734
North America	1,091,133	1,016,219
Europe	933,687	993,336
Total non-current assets	5,819,181	7,166,289

The non-current asset information above is based on the locations of the assets excluding deferred tax assets, other non-current assets, investments in joint ventures and an investment in an associate.

Information about two major customers

During the year ended 31 December 2023, revenue from sales to the two major third-party customers was HK\$1,162,574,000 and HK\$871,598,000, respectively (2022: revenue from sales to the two major third-party customers was HK\$982,117,000 and HK\$942,188,000, respectively). The revenue from sales to the customers was derived from sales by the strollers and accessories, car seats and accessories and others segments, including sales to a group of entities which are known to be under common control with the customers.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 <i>(HK\$'000)</i>	2022 <i>(HK\$'000)</i>
<i>Revenue from contracts with customers</i>		
Sale of goods	7,891,887	8,258,811
Rendering of testing services	35,439	33,341
Total	<u>7,927,326</u>	<u>8,292,152</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2023

Segments	Strollers and accessories <i>(HK\$'000)</i>	Car seats and accessories <i>(HK\$'000)</i>	Non-durable products <i>(HK\$'000)</i>	Others <i>(HK\$'000)</i>	Total <i>(HK\$'000)</i>
Type of goods or services					
Sale of goods	3,175,925	3,316,707	639,985	759,270	7,891,887
Rendering of testing services	–	–	–	35,439	35,439
Total revenue from contracts with customers	<u>3,175,925</u>	<u>3,316,707</u>	<u>639,985</u>	<u>794,709</u>	<u>7,927,326</u>
Timing of revenue recognition					
Goods transferred at a point in time	3,175,925	3,316,707	639,985	759,270	7,891,887
Services transferred at a point in time	–	–	–	35,439	35,439
Total revenue from contracts with customers	<u>3,175,925</u>	<u>3,316,707</u>	<u>639,985</u>	<u>794,709</u>	<u>7,927,326</u>
Revenue from contracts with customers					
External customers	<u>3,175,925</u>	<u>3,316,707</u>	<u>639,985</u>	<u>794,709</u>	<u>7,927,326</u>

For the year ended 31 December 2022

Segments	Strollers and accessories (HK\$'000)	Car seats and accessories (HK\$'000)	Non-durable products (HK\$'000)	Others (HK\$'000)	Total (HK\$'000)
Type of goods or services					
Sale of goods	3,313,938	3,190,042	799,695	955,136	8,258,811
Rendering of testing services	–	–	–	33,341	33,341
Total revenue from contracts with customers	<u>3,313,938</u>	<u>3,190,042</u>	<u>799,695</u>	<u>988,477</u>	<u>8,292,152</u>
Timing of revenue recognition					
Goods transferred at a point in time	3,313,938	3,190,042	799,695	955,136	8,258,811
Services transferred at a point in time	–	–	–	33,341	33,341
Total revenue from contracts with customers	<u>3,313,938</u>	<u>3,190,042</u>	<u>799,695</u>	<u>988,477</u>	<u>8,292,152</u>
Revenue from contracts with customers					
External customers	<u>3,313,938</u>	<u>3,190,042</u>	<u>799,695</u>	<u>988,477</u>	<u>8,292,152</u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2023 (HK\$'000)	2022 (HK\$'000)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	<u>122,868</u>	<u>124,755</u>

(ii) *Performance obligations*

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of goods and payment is generally due with 90 days from delivery.

Rendering of testing services

The performance obligation is satisfied upon completion of service and short-term advances are normally required before rendering the services.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at 31 December 2023 are as follows:

	2023 <i>(HK\$'000)</i>	2022 <i>(HK\$'000)</i>
Amounts expected to be recognised as revenue:		
Within one year	138,626	122,868

All the remaining performance obligations are expected to be satisfied within one year.

Other income and gains

	2023 <i>(HK\$'000)</i>	2022 <i>(HK\$'000)</i>
Other income and gains:		
Net gain on disposal of property, plant and equipment and right-of-use assets <i>(note (a))</i>	74,491	22,342
Net foreign exchange gain	18,128	41,987
Government grants <i>(note (b))</i>	11,324	43,513
Gain on sales of scrap materials <i>(note (c))</i>	9,365	10,518
Service fee income	5,297	6,660
Compensation income	3,144	9,711
Fair value gains, net		
Derivative instruments – transactions not qualifying as hedges	–	12,470
Call/put options over non-controlling interests	–	10,010
Gain on wealth investment products	1,281	103
Gain on disposal of a subsidiary	678	–
Others	5,705	8,115
Total	129,413	165,429

Note (a): Included in the net gain on disposal of property, plant and equipment and right-of-use assets, was an amount of HK\$77,930,000 arising from compensation income from local municipal authority in relation with the demolition and reallocation of certain Group's factory plant in Kunshan.

Note (b): The amount represents subsidies received from local government authorities in connection with certain financial support to local business enterprises. These government subsidies mainly comprised subsidies for export activities, subsidies for development and other miscellaneous subsidies and incentives for various purposes.

Note (c): The amount represents the gain on sales of aluminium, plastics, cloth and other scrap materials.

5. FINANCE INCOME

	2023 <i>(HK\$'000)</i>	2022 <i>(HK\$'000)</i>
Interest income on bank deposits	48,199	42,971

6. FINANCE COSTS

	2023 (HK\$'000)	2022 (HK\$'000)
Interest on bank loans, overdrafts and other loans	203,726	126,901
Interest on lease liabilities	<u>11,826</u>	<u>11,005</u>
Total	<u>215,552</u>	<u>137,906</u>

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	<i>Notes</i>	2023 (HK\$'000)	2022 (HK\$'000)
Cost of inventories sold*		3,940,935	4,918,149
Cost of services provided		18,677	18,122
Depreciation of property, plant and equipment		278,944	298,236
Depreciation of right-of-use assets		117,010	117,284
Amortisation of intangible assets		69,071	66,554
Research and development costs **		381,323	406,964
Lease payments not included in the measurement of lease liabilities		18,113	26,487
Auditors' remuneration		9,595	9,182
Employee benefit expense (including directors' remuneration):			
Wages, salaries and other benefits		1,631,438	1,686,616
Share option expense		1,827	15,187
Pension scheme costs (defined benefit plans) (including administrative expense)		154	89
Pension scheme contributions***		<u>80,962</u>	<u>100,617</u>
		1,714,381	1,802,509
Net foreign exchange gain		(18,128)	(41,987)
Impairment of trade receivables	12	17,069	9,346
Provision of inventories		31,610	8,032
Product warranties and liabilities		14,006	45,253
Fair value gains, net:			
Derivative instruments – transactions not qualifying as hedges		–	(12,470)
Call/put options over non-controlling interests		–	(10,010)
Gain on wealth investment products		(1,281)	(103)
Net gain on disposal of property, plant and equipment and right-of-use assets		(74,491)	(22,342)
Loss on disposal of intangible assets		665	49
Bank interest income		<u>(48,199)</u>	<u>(42,971)</u>

* Cost of inventories sold include expenses relating to depreciation of property, plant and equipment, depreciation of right-of-use assets and staff remuneration, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

** Research and development costs include expenses relating to depreciation of property, plant and equipment, depreciation of right-of-use assets and staff remuneration, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

*** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

8. INCOME TAX

The Company and its subsidiaries incorporated in the Cayman Islands and the British Virgin Islands (“**BVI**”), respectively, are exempted from taxation.

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

State income tax and federal income tax of the Group’s subsidiary in the United States have been provided for at the rates of state income tax and federal income tax on the estimated assessable profits of the subsidiary during the year. The state income tax rates are 1% to 12% in the respective states in which the subsidiary operates, and the federal income tax rate was lowered to 21% effective from 1 January 2018, as a result of U.S. tax reform enacted in December 2017.

The Group’s subsidiary registered in Japan is subject to income tax based on the taxable income at rates ranging from 15% to 23.2% on a progressive basis.

The Group’s subsidiaries registered in Germany are subject to corporation tax based on the taxable income at the rate of 15.825% and trade income tax on the taxable income at rates ranging from 8.75% to 20.3%.

The Group’s subsidiaries registered in Denmark are subject to income tax based on the taxable income at the rate of 22%.

The Group’s subsidiary registered in the Czech Republic is subject to income tax based on the taxable income at the rate of 19%.

The Group’s subsidiary registered in Canada is subject to Federal income tax based on the taxable income at the rate of 15% and provincial and territorial income tax at rates ranging from 8% to 16%.

The Group’s subsidiary registered in the United Arab Emirates is subject to income tax at the rate of 9% for taxable income above AED375,000.

All of the Group’s subsidiaries registered in the People’s Republic of China (the “**PRC**”), which only have operations in Chinese Mainland, are subject to PRC enterprise income tax (“**EIT**”) on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws, at the rate of 25%.

Pursuant to relevant tax rules under the EIT Law and with the approval from the relevant tax authorities in the PRC, two of the Group’s subsidiaries, Goodbaby Child Products Co., Ltd. (“**GCPC**”) and EQO Testing and Certification Services Co., Ltd. (“**EQTC**”), are qualified as “High and New Technology Enterprises” and are entitled to a preferential tax rate of 15% from 2023 to 2025.

The major components of income tax of the Group are as follows:

	2023 <i>(HK\$'000)</i>	2022 <i>(HK\$'000)</i>
Current income tax	73,218	48,366
Deferred income tax	(85,249)	(87,301)
Income tax credit reported in the statement of profit or loss	(12,031)	(38,935)

A reconciliation of the tax charge applicable to profit before tax using the applicable rate for the jurisdiction in which the Company and its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	2023 <i>(HK\$'000)</i>	2022 <i>(HK\$'000)</i>
Profit before tax	196,430	1,193
Tax calculated at the applicable income tax rate	21,906	(10,921)
Temporary difference and tax losses utilized from prior years	(3,691)	(15,152)
Temporary difference and tax losses not recognised	1,286	4,371
Tax credit arising from additional deduction of R&D expenditures of PRC subsidiaries	(36,746)	(14,910)
Tax effect on non-taxable income	(4,899)	(11,141)
Tax effect on non-deductible expenses	10,113	8,818
Income tax credit	(12,031)	(38,935)

9. DIVIDENDS

The Board did not recommend the payment of any dividend for the years ended 31 December 2023 and 2022.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,668,031,166 in issue during the year (2022: 1,668,031,166).

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of earnings per share is based on:

	2023 <i>(HK\$'000)</i>	2022 <i>(HK\$'000)</i>
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>203,496</u>	<u>33,487</u>
	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,668,031,166	1,668,031,166
Effect of dilution – weighted average number of ordinary shares: Share options*	<u>–</u>	<u>–</u>
Total	<u>1,668,031,166</u>	<u>1,668,031,166</u>

* The effects of share options on the basic earnings per share for the years ended 31 December 2023 and 2022 were ignored in the calculation of diluted earnings per share as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

11. INVENTORIES

	2023 <i>(HK\$'000)</i>	2022 <i>(HK\$'000)</i>
Raw materials	221,990	273,698
Work in progress	21,057	20,176
Finished goods	<u>1,219,734</u>	<u>1,608,135</u>
Total	<u>1,462,781</u>	<u>1,902,009</u>

12. TRADE RECEIVABLES

	2023 <i>(HK\$'000)</i>	2022 <i>(HK\$'000)</i>
Trade receivables	1,232,046	1,040,037
Impairment of trade receivables	<u>(56,234)</u>	<u>(42,709)</u>
Net carrying amount	<u>1,175,812</u>	<u>997,328</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is up to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aging analysis of the trade receivables of the Group, based on the invoice date net of provision, is as follows:

	2023 <i>(HK\$'000)</i>	2022 <i>(HK\$'000)</i>
Within 3 months	1,135,850	906,679
3 to 6 months	20,628	33,004
6 months to 1 year	8,801	28,719
Over 1 year	10,533	28,926
	<hr/>	<hr/>
Total	1,175,812	997,328
	<hr/>	<hr/>

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023 <i>(HK\$'000)</i>	2022 <i>(HK\$'000)</i>
At beginning of year	42,709	34,725
Impairment losses, net	17,069	9,346
Amount written off as uncollectible	(3,742)	–
Exchange realignment	198	(1,362)
	<hr/>	<hr/>
At end of year	56,234	42,709
	<hr/>	<hr/>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2023

	Within 3 months	3 to 6 months	6 months to 1 year	Over 1 year	Total
Expected credit loss rate	0.42%	4.72%	9.46%	82.44%	4.56%
Gross carrying amount (HK\$'000)	1,140,694	21,649	9,721	59,982	1,232,046
Expected credit losses (HK\$'000)	4,844	1,021	920	49,449	56,234

As at 31 December 2022

	Within 3 months	3 to 6 months	6 months to 1 year	Over 1 year	Total
Expected credit loss rate	0.34%	4.01%	8.76%	55.11%	4.11%
Gross carrying amount (HK\$'000)	909,740	34,383	31,478	64,436	1,040,037
Expected credit losses (HK\$'000)	3,061	1,379	2,759	35,510	42,709

13. DERIVATIVE FINANCIAL INSTRUMENTS

	2023	
	Assets (HK\$'000)	Liabilities (HK\$'000)
Forward currency contracts – designated as hedging instruments	9,903	42,013
	<hr/>	
	2022	
	Assets (HK\$'000)	Liabilities (HK\$'000)
Forward currency contracts – designated as hedging instruments	15,361	44,098
	<hr/>	

Cash flow hedge – Foreign currency risk

Forward currency contracts are designated as hedging instruments in respect of forecasted routine intragroup sales in foreign currencies. The forward currency contract balances vary with the levels of expected foreign currency sales and changes in foreign exchange forward rates.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the forecasted sales and purchases and the hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments

The Group holds the following foreign exchange forward contracts:

	Maturity					
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	Total
As at 31 December 2023						
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	289,095	327,497	279,603	116,501	–	1,012,696
Average forward rate (EUR/RMB)	7.4314	7.6245	7.7425	7.6335	–	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	40,219	33,547	23,962	14,377	3,195	115,300
Average forward rate (GBP/EUR)	1.1386	1.1342	1.1319	1.132	1.1317	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	5,811	6,207	4,433	2,660	591	19,702
Average forward rate (CHF/EUR)	1.0427	1.0504	1.0577	1.0685	1.0783	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	23,040	–	–	–	–	23,040
Average forward rate (EUR/JPY)	134.8075	–	–	–	–	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	22,701	42,158	38,569	35,159	28,410	166,997
Average forward rate (JPY/EUR)	0.0059	0.0068	0.0068	0.0068	0.0068	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	2,833	–	–	–	–	2,833
Average forward rate (EUR/PLN)	4.3458	–	–	–	–	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	41,498	41,378	35,774	24,565	6,320	149,535
Average forward rate (PLN/EUR)	0.2191	0.2194	0.2188	0.2173	0.2178	

	Maturity					
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	Total
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	2,472	–	–	–	–	2,472
Average forward rate (EUR/GBP)	0.8728	–	–	–	–	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	9,429	7,334	5,238	3,143	698	25,842
Average forward rate (CZK/EUR)	0.0411	0.041	0.0406	0.0404	0.0402	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	30,183	30,054	29,928	29,816	–	119,981
Average forward rate (EUR/USD)	1.0771	1.0816	1.0861	1.0903	–	

The impacts of the hedging instruments on the statement of financial position are as follows:

	Notional amounts (HK\$'000)	Carrying amounts (HK\$'000)	Line item in the statement of financial position
As at 31 December 2023			
Foreign currency forward contracts	195,612	9,903	Derivative financial instruments (assets)
Foreign currency forward contracts	1,442,786	(42,013)	Derivative financial instruments (liabilities)

The impacts of the hedged items on the statement of financial position are as follows:

	Change in fair value used for measuring hedge ineffectiveness for the year (HK\$'000)	Hedging reserve (HK\$'000)
As at 31 December 2023		
Highly probable forecast sales	<u>(26,595)</u>	<u>(5,515)</u>

The effects of the cash flow hedge on the statement of profit or loss and the statement of comprehensive income are as follows:

	Total hedging gains/(losses) recognised in other comprehensive income			Hedge ineffectiveness recognised in profit or loss	Line item in the statement of profit or loss	Amounts reclassified from other comprehensive income to profit or loss			Line item (gross amount) in the statement of profit or loss
	Gross amounts					Gross amounts			
	(HK\$'000)	Tax effects (HK\$'000)	Total (HK\$'000)			(HK\$'000)	(HK\$'000)	Tax effects (HK\$'000)	
As at 31 December 2023									
Highly probable forecast sales	(112,061)	17,115	(94,946)	-	Other income and gains	105,831	(16,400)	89,431	Revenue

14. TRADE AND BILLS PAYABLES

An aging analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2023 (HK\$'000)	2022 (HK\$'000)
Within 3 months	1,021,642	858,407
3 to 12 months	273,753	300,273
1 to 2 years	3,455	7,687
2 to 3 years	3,401	1,173
Over 3 years	2,135	2,113
Total	<u>1,304,386</u>	<u>1,169,653</u>

The trade and bills payables are non-interest-bearing and normally settled on terms of 60 to 90 days. The carrying amounts of the trade and bills payables approximate to their fair values due to their short term maturity.

15. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

		As at 31 December 2023		As at 31 December 2022	
		Maturity	HK\$'000	Maturity	HK\$'000
Current					
Bank overdrafts – secured	Note (a) and note (b)	On demand	185,684	On demand	217,974
Bank overdrafts – unsecured	Note (a)	On demand	2,971	On demand	1,503
Current portion of long-term bank loans – secured	Note (b)	2024	1,666,510	2023	364,481
Current portion of long-term bank loans – unsecured		2024	495,099		–
Bank borrowings – secured	Note (b)	2024	165,173	2023	290,139
Bank borrowings – unsecured		2024	190,392	2023	307,856
Total – current			2,705,829		1,181,953
Non-current					
Bank borrowings – secured	Note (b)		–	2024	1,691,450
Bank borrowings – unsecured		2025	88,018	2024-2025	481,375
Total – non-current			88,018		2,172,825
Total			2,793,847		3,354,778

The carrying amounts of borrowings are denominated in the following currencies:

	2023 (HK\$'000)	2022 (HK\$'000)
RMB	775,655	789,230
US\$	1,821,231	2,334,307
EUR	188,655	220,808
JPY	8,306	10,433
Total	2,793,847	3,354,778

An analysis of the carrying amounts of borrowings by type of interest rate is as follows:

	2023 (HK\$'000)	2022 (HK\$'000)
Fixed interest rate	550,110	666,088
Variable interest rate	2,243,737	2,688,690
Total	2,793,847	3,354,778

At the end of respective reporting periods, bank borrowings and overdrafts were repayable as follows:

	2023 <i>(HK\$'000)</i>	2022 <i>(HK\$'000)</i>
Within one year	2,705,829	1,181,953
In the second year	88,018	2,139,241
In the third year	–	33,584
Total	<u>2,793,847</u>	<u>3,354,778</u>

Note (a): The bank overdraft facilities amounted to HK\$375,392,000 of which HK\$188,655,000 had been utilised as at the end of the reporting period. The bank overdraft facilities are revolving facilities with no termination date.

Note (b): As at 31 December 2023, certain of the Group's bank loans are secured by:

- (i) standby letters of credit and letters of guarantee from certain banks issued by a subsidiary of the Group; and
- (ii) the guarantee from the Company.

As at 31 December 2022, certain of the Group's bank loans are secured by:

- (i) standby letters of credit and letters of guarantee from certain banks issued by a subsidiary of the Group;
- (ii) the guarantee from the Company; and
- (iii) certain machinery amounting to HK\$2,347,000.

Note (c): The effective interest rates of the bank loans and other borrowings range from 1.05% to 7.61% (2022: 0.63% to 6.18%).

16. SHARE OPTION SCHEME

The share option scheme adopted by the Company on 5 November 2010 (the “**2010 Share Option Scheme**”) was terminated and a new one was adopted by the Company following the termination of the 2010 Share Option Scheme on the annual general meeting of the Company held on 25 May 2020 (the “**2020 Share Option Scheme**”).

The purpose of the share options schemes is to motivate the eligible participants to optimise their performance efficiency for the benefit of the Group; and attract and retain or otherwise maintain on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group. Eligible participants of the share option schemes include full-time or part-time employees, executives or officers of the Company or any of its subsidiaries, any Directors (including non-executive and independent non-executive Directors) of the Company or any of its subsidiaries and advisers, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries as described in the share option schemes. The 2010 Share Option Scheme and the 2020 Share Option Scheme both have a term of 10 years. Upon termination of the 2010 Share Option Scheme mentioned above, no further options may be granted thereunder but the provisions of the 2010 Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior to the termination.

The maximum number of share options originally permitted to be granted under the 2010 Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at 28 May 2018. The maximum number of share options currently permitted to be granted under the 2020 Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at 25 May 2020. The maximum number of shares issuable under share options to each eligible participant under the 2010 Share Option Scheme and 2020 Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue as at the date on which the share options are granted to the relevant eligible participants. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue on the date of such grant or with an aggregate value (based on the closing price of the Company’s shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, and commences after a vesting period determined by the Directors and ends on a date which shall not be later than ten years from the date upon which the share options are deemed to be granted and accepted.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's shares as quoted on the Stock Exchange on the date of offer of the share options; (ii) the average closing price of the Company's shares as quoted on the Stock Exchange for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares.

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options. The Group accounts for the Scheme as an equity-settled plan.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 19 June 2020, the Board announced that the Company shall allow holders of the existing share options (the "**Existing Share Options**") granted on 28 August 2017, 27 March 2018, 28 May 2018 and 23 May 2019 under the 2010 Share Option Scheme to exchange their Existing Share Options for new share options to be granted under the 2020 Share Option Scheme. As at 19 June 2020, none of the above share options was vested.

A total of 96,650,000 Existing Share Options were cancelled under the 2010 Share Option Scheme and replaced by a total of 26,084,500 new share options with an exercise price of HK\$0.96 per share under the 2020 Share Option Scheme (the "**Replacement Options**").

The exchange ratio of the Replacement Options to Existing Share Options were based on their fair values on the modification date, i.e. 19 June 2020.

(a) 2010 Share Option Scheme

The following share options were outstanding under the Scheme during the year:

	Weighted average exercise price <i>HK\$ per share</i>	Number of options <i>'000</i>
At 1 January 2022	3.989	106,680
Forfeited during the year	3.750	<u>(2,810)</u>
At 31 December 2022 and 1 January 2023	3.996	103,870
Forfeited during the year	3.602	<u>(3,690)</u>
At 31 December 2023	4.010	<u>100,180</u>

No share options were exercised or cancelled during the years ended 31 December 2023 and 2022.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2023

Number of options '000	Exercise price <i>HK\$ per share</i>	Exercise period
7,127	3.58	29 September 2017 to 28 September 2024
8,626	3.58	29 September 2018 to 28 September 2024
7,926	3.58	29 September 2019 to 28 September 2024
2,267	3.75	7 October 2018 to 6 October 2025
2,267	3.75	7 October 2019 to 6 October 2025
2,267	3.75	7 October 2020 to 6 October 2025
6,300	4.54	27 September 2020 to 27 March 2028
9,450	4.54	27 September 2021 to 27 March 2028
15,750	4.54	27 September 2022 to 27 March 2028
720	5.122	28 May 2021 to 27 May 2028
1,080	5.122	28 May 2022 to 27 May 2028
1,800	5.122	28 May 2023 to 27 May 2028
6,920	3.75	23 May 2022 to 22 May 2029
10,380	3.75	23 May 2023 to 22 May 2029
17,300	3.75	23 May 2024 to 22 May 2029
<hr/>		
100,180		
<hr/>		

2022

Number of options '000	Exercise price <i>HK\$ per share</i>	Exercise period
7,327	3.58	29 September 2017 to 28 September 2024
8,826	3.58	29 September 2018 to 28 September 2024
8,126	3.58	29 September 2019 to 28 September 2024
3,267	3.75	7 October 2018 to 6 October 2025
3,267	3.75	7 October 2019 to 6 October 2025
3,267	3.75	7 October 2020 to 6 October 2025
6,300	4.54	27 September 2020 to 27 March 2028
9,450	4.54	27 September 2021 to 27 March 2028
15,750	4.54	27 September 2022 to 27 March 2028
720	5.122	28 May 2021 to 27 May 2028
1,080	5.122	28 May 2022 to 27 May 2028
1,800	5.122	28 May 2023 to 27 May 2028
6,970	3.75	23 May 2022 to 22 May 2029
10,395	3.75	23 May 2023 to 22 May 2029
17,325	3.75	23 May 2024 to 22 May 2029
<hr/>		
103,870		
<hr/>		

(b) 2020 Share Option Scheme

	Weighted average exercise price <i>HK\$ per share</i>	Number of options <i>'000</i>
At 1 January 2022	0.966	29,419
Granted and accepted during the year	1.042	675
Forfeited during the year	0.969	<u>(1,663)</u>
At 31 December 2022 and 1 January 2023	0.943	28,431
Forfeited during the year	0.973	<u>(1,908)</u>
At 31 December 2023	0.941	<u>26,523</u>

No share options were exercised or cancelled during the years ended 31 December 2023 and 2022.

The exercise prices and exercise periods of the above share options outstanding at the end of the reporting period are as follows:

2023

Number of options <i>'000</i>	Exercise price <i>HK\$ per share</i>	Exercise period
93	0.96	28 August 2020 to 27 August 2027
93	0.96	28 August 2021 to 27 August 2027
93	0.96	28 August 2022 to 27 August 2027
2,107	0.96	27 September 2020 to 27 March 2028
3,161	0.96	27 September 2021 to 27 March 2028
5,268	0.96	27 September 2022 to 27 March 2028
160	0.96	28 May 2021 to 27 May 2028
240	0.96	28 May 2022 to 27 May 2028
400	0.96	28 May 2023 to 27 May 2028
2,307	0.96	23 May 2022 to 22 May 2029
3,459	0.96	23 May 2023 to 22 May 2029
5,487	0.96	23 May 2024 to 22 May 2029
705	1.01	11 December 2023 to 10 December 2030
919	1.01	11 December 2024 to 10 December 2030
1,531	1.01	11 December 2025 to 10 December 2030
100	1.042	16 June 2025 to 15 June 2032
150	1.042	16 June 2026 to 15 June 2032
250	1.042	16 June 2027 to 15 June 2032
<u>26,523</u>		

2022

Number of options '000	Exercise price <i>HK\$ per share</i>	Exercise period
93	0.96	28 August 2020 to 27 August 2027
93	0.96	28 August 2021 to 27 August 2027
93	0.96	28 August 2022 to 27 August 2027
2,108	0.96	27 September 2020 to 27 March 2028
3,161	0.96	27 September 2021 to 27 March 2028
5,268	0.96	27 September 2022 to 27 March 2028
180	0.96	28 May 2021 to 27 May 2028
270	0.96	28 May 2022 to 27 May 2028
430	0.96	28 May 2023 to 27 May 2028
2,483	0.96	23 May 2022 to 22 May 2029
3,594	0.96	23 May 2023 to 22 May 2029
5,991	0.96	23 May 2024 to 22 May 2029
798	1.01	11 December 2023 to 10 December 2030
1,198	1.01	11 December 2024 to 10 December 2030
1,996	1.01	11 December 2025 to 10 December 2030
135	1.042	16 June 2025 to 15 June 2032
202	1.042	16 June 2026 to 15 June 2032
338	1.042	16 June 2027 to 15 June 2032
<hr/>		
28,431		

The fair value of the share options granted during the year ended 31 December 2022 was HK\$337,500, of which the Group recognised share option expenses of HK\$22,000.

The fair value of equity-settled share options granted was estimated as at the date of grant using a binomial tree model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Share options granted on 16 June 2022
Fair value under binomial model (HK\$)	337,500
Dividend yield (%)	0.00
Spot stock price (HK\$ per share)	1.042
Historical volatility (%)	46.73
Risk-free interest rate (%)	3.342
Expected life of options (year)	10

The risk-free rate for periods within the contractual life of the option is based on the yield of Hong Kong Exchange Fund Notes.

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The Group overall recognised a share option expense of HK\$1,827,000 (2022: HK\$15,187,000) for the year ended 31 December 2023.

At the end of the reporting period, the Company had 100,180,000 and 26,523,250 share options outstanding under the 2010 Share Option Scheme and 2020 Share Option Scheme, respectively. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 126,703,250 additional ordinary shares of the Company and additional share capital of HK\$1,267,033 and share premium of HK\$425,868,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 99,530,000 and 26,260,500 share options outstanding under the 2010 Share Option Scheme and 2020 Share Option Scheme respectively, which represented approximately 5.97% and 1.57% of the Company's shares in issue as at that date.

17. EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

A Year of Robust Turnaround in an Uncertain Environment

During the Period, the complete lift of pandemic-related restrictions across the globe resulted in macro environment improvement, stabilization of global logistics and decrease in input costs, mainly sea freight and raw material costs, which were in direct favor of the Group's business development. However, the Period also witnessed continued confrontation of challenges of prolonged economic adjustment, including high inflation and fast pace of interest rate hikes by the Federal Reserve, which brought unprecedented financing cost pressure for the Group, and low growth prospects globally; in addition, intensified geopolitical conflicts into the second half of 2023 damaged consumer confidence and exacerbated macro environment uncertainties. In addition, negative factors facing the juvenile products industry where the Group runs its business including continued destocking by Blue Chip customers and retailers in North America till the third quarter and continued birth rate decline in the Group's key markets continued to pose pressure on the Group business development.

Despite an uncertain macro environment, the Group had unswervingly focused on the development of its strategic brands and supported the ongoing development of Blue Chip business. Having honed and improved its capabilities and crisis management strength in the past years, the Group manifested strong resilience and recorded robust turnaround for its business performance during the Period. Revenue was suppressed in the first three quarters primarily due to continued destocking activities from the previous year, in particular the Group's Evenflo and Blue Chip business. The Group's revenue performance strongly picked up and recorded carryover growth in the fourth quarter as the destocking was drawing to an end. During the Period, the Group continued to beat the industry and thus gained market shares in its key international markets. The Group recorded strong momentum in profitability: gross margin improved significantly by 9.6 percentage points to a new high of 50.1% and operating margin rebounded with accelerated momentum by quarter throughout the year; the Group also generated strong operating cash flow during the Period, highlighting the Group's consistent commitment on profitability improvement and cash flow management.

The Group's efforts to maintain its global competitiveness during the Period served as the backbone of the robust turnaround in business performance:

1. Further consolidating the Group's one-dragon vertically integrated platform of own diversified brands, globally balanced omni-channel distribution platforms, own manufacturing and operational services, which enabled the Group to outperform competition and minimize risks in any one territory;
2. Continuing dedicated and strategic investments in innovation, global omni-channel infrastructure and digital.

The Group always stood ready to confront long-term uncertainties and dynamics imposed by the macro environment. Its well-established one-dragon vertically integrated global platform, investments in innovation, crisis management experience and strengths gained during the pandemic, continued efforts in improving efficiency and controlling cost enabled the Group to withstand any emergencies and sustain the solid turnaround business results achieved during the Period.

Our revenue for the Period decreased by 4.4% to approximately HK\$7,927.3 million from approximately HK\$8,292.2 million for the corresponding period in 2022. Foreign exchange rate fluctuated between the Period and the corresponding period in 2022, particularly exchange rate between RMB and HKD, and between EUR and HKD. Such fluctuations led to the difference between the Group's overall revenue growth in the original currencies and the growth in the Group's reporting currency in HKD after currency translation. On a constant currency basis, our revenue for the Period recorded a 3.2% decrease as compared to the corresponding period in 2022. Reported gross profit increased by 18.2% to approximately HK\$3,967.7 million for the Period from approximately HK\$3,355.9 million for the corresponding period in 2022. Reported operating profit increased by 265.5% to approximately HK\$368.4 million from approximately HK\$100.8 million for the corresponding period in 2022 and on a non-GAAP basis, our operating profit increased by 179.0% to approximately HK\$409.9 million for the Period from approximately HK\$146.9 million for the corresponding period in 2022.

Summary of the Group's revenue:

(HK\$ million)	For the year ended 31 December				Change on a constant	
	2023		2022		Change (%)	currency basis (%)
	Amount	% of Revenue	Amount	% of Revenue	Change (%)	Change on a constant currency basis (%)
Group Revenue	\$7,927.3		\$8,292.2		-4.4%	-3.2%
Strategic Brands	\$7,137.5	90.0%	\$7,063.4	85.2%	1.0%	1.9%
CYBEX	3,696.9	46.6%	3,285.3	39.6%	12.5%	11.1%
gb	1,161.0	14.6%	1,473.4	17.8%	-21.2%	-17.6%
Evenflo	2,279.6	28.8%	2,304.7	27.8%	-1.1%	1.3%
Blue Chip and other business	\$789.8	10.0%	\$1,228.8	14.8%	-35.7%	-33.0%

EXECUTIVE SUMMARY

During the Period, the Group's strategic brands performed as follows:

- CYBEX:** Despite a persistently uncertain and challenging environment including but not limited to sluggish economic recovery, inflation and conservative consumer confidence resulting from intensified geopolitical conflicts, CYBEX recorded a new all-time high in revenue, profitability and cashflow. The brand continued to record strong growth of 12.5% (an 11.1% increase on a constant currency basis) in the Period to approximately HK\$3,696.9 million from approximately HK\$3,285.3 million for the corresponding period in 2022. Thanks to the strong revenue performance, CYBEX continued to outperform competition and gain market shares in its key international markets. Operating profitability and free cash flow both elevated to a new level, highlighting the brand's operational efficiencies and management strengths. Such strong performance was primarily attributable to very strong and enhanced brand position, innovative product portfolio and continued new product launches as well as continued expansion and fortification of global omni-channel distribution network. As of the end of Period, CYBEX had extended footprints to 114 countries and regions through own national distribution platforms and distribution partners, deepened direct interactions with consumers through the further rollout of its own e-commerce platform in Europe and the United States and enhanced self-owned flagship stores in big platinum cities and established community excellence through omni-channels, highlighting the brand's unremitting pursuit of consumer-centricity excellence. During the Period, CYBEX managed to surpass another impressive threshold: Since the founding of the brand, CYBEX now received more than 500 awards for its product and design excellence, including awards from independent European consumer testing organizations (e.g. ADAC) and design organizations (e.g. redden design award). Overall, CYBEX continues to reinforce its global leading position as the premium "technical-lifestyle" brand.

- gb:** The brand recorded a decrease in revenue of 21.2% (a 17.6% decrease on a constant currency basis) in the Period to approximately HK\$1,161.0 million from approximately HK\$1,473.4 million for the corresponding period in 2022. The revenue decline was primarily attributed to the brand's ongoing commercial right-sizing and brand transformation to adapt to the post-pandemic era and birth rate decline in China. Offline sales recorded positive growth for the Period. gb continued to enrich its consumer-centric retail strategy through enhanced product portfolio. During the Period, the brand successfully launched a representative durable model (gb *Safety Cabin* series, 好孩子安全艙), which became a big revenue contributor and repeatedly appeared on lists of best-sellers and trending topics. During the Period, gb managed to carry out strategic partnership with new energy vehicle companies on car seat products because of its leading capability in safety products. The brand received several prominent design and innovation awards in recognition of its upgraded innovative products.
- Evenflo:** Under a restructured management team highlighting product innovation and commercial excellence, Evenflo brand recorded unprecedented business performance. Revenue slightly decreased by 1.1% (a 1.3% increase on a constant currency basis) in the Period to approximately HK\$2,279.6 million from approximately HK\$2,304.7 million for the corresponding period in 2022, which was primarily a result of continued inventory destocking by major retailers in its key market of North America since the fourth quarter of 2022 till the third quarter of 2023, offset by strong sales in the fourth quarter of 2023. The brand's profitability significantly improved and it generated strong operating cash flow, marking a record high cashflow. Running business in a market where the industry as a whole declined, Evenflo increased market shares across all product categories, further consolidating the brand's leadership in the juvenile industry in North America. The excellent performance was a result of significant growth in digital channels, and strong consumer acceptance of its innovative products, elevated product portfolio and brand image, which also greatly improved the brand's gross margin. Evenflo won multiple industry and consumer choices awards due to its dedicated commitment to innovation.

During the Period, our Blue Chip and other business recorded revenue decrease of 35.7% (a 33.0% decrease on a constant currency basis) to approximately HK\$789.8 million in the Period as compared to approximately HK\$1,228.8 million for the corresponding period in 2022. The revenue decrease was primarily due to a slowdown in orders resulting from continued destocking by Blue Chip customers and retailers since the fourth quarter of 2022 till the third quarter of the Period and the Group's continued portfolio rationalization in other business. Blue Chip business had strongly rebounded in the fourth quarter. The Group's relationship with its Blue Chip customers remained healthy and stable.

OUTLOOK

The world is facing long-term low-growth prospect going forward. Price pressure persists in many countries. Intensified geopolitical conflicts in the Middle East could disturb energy price and cause inflation pressure worldwide again. It is expected that central banks of major developed countries will maintain interest rates at high for a longer period. Tightening financial conditions and exacerbated geopolitical risks together bring greater risks to global trade and industrial production. Taking into full consideration of the macro environment, the Group will continue its strategic investments to maintain and consolidate its global competitiveness, which will continue to inject momentum into the Group's business and enhance its resilience in the face of any uncertainties. Overall, we remain very confident in our strategy and will continue to focus on the development of our strategic brands of CYBEX, gb and Evenflo and the ongoing development of our Blue Chip business and work hard toward the vision of "becoming an outstanding enterprise with global and future-ready competitiveness".

CYBEX will continue its global growth strategy across all key geographic regions and gain market shares driven by its strong brand position, innovative product portfolio, new product launches, new category extensions, strengthened supply chain capabilities, e-commerce platforms, flagship store opening in global platinum cities and expansion of national distribution platforms in new geographic territories in a brand-centric and consumer-centric manner to achieve accelerated strong revenue and profitability momentum amidst a persistently challenging geopolitical and economic environment featuring high inflation and high interest rate. Cost control measures and operational efficiency improvement will continue to contribute to profitability. These initiatives will be carefully monitored and adjusted to new conditions of the geopolitical and global economic environment.

gb will further right-size and transform its business toward consumer-centric and brand driven D2C and S2b2C business model. It will continue to reform and enrich new retail strategy featuring quality services and interactions with consumers on social media platforms. It will further restructure the organization to give focus on improvement and enhancement of strategy execution and organization efficiency. The brand will continue its commitment on product development and innovation as this serves as the foundation for brand upgrade.

Evenflo will continue to gain market shares in both online and offline channels based on its strong development of digital channels and consumer reception to innovative product launches. It will continue to launch new, more profitable and innovative products and fulfill new awards of business from major retailers and new distribution channels as the brand is being recognized for its commitment to overall brand enhancement and product innovation. Strong focus will be given to further improvement of profitability and cashflow management. The brand is dedicated to further developing its digital strategy and enrich consumer experience.

On a global basis, we will continue to expand and deepen our omni-channel distribution network in existing and new markets to ensure we maintain a direct relationship with our fans and consumers and provide them with a world class omni-channel experience. We will continue to optimize our global supply chain strategies as we embrace supplier partnerships and broaden our global footprint to ensure we are quicker to market and leverage regional capabilities. World class manufacturing, supply chain excellence, innovation and cost optimization will always remain the core of our vision of becoming an outstanding enterprise with global and future-ready competitiveness and achieving sustained profitable growth.

FINANCIAL REVIEW

Revenue

For the Period, the total revenue of the Group decreased by 4.4% to approximately HK\$7,927.3 million from approximately HK\$8,292.2 million for the year of 2022. During the Period, foreign exchange rate fluctuations impacted the overall revenue growth. On a constant currency basis, our revenue for the Period recorded a 3.2% decrease compared to the year of 2022.

For the revenue breakdown analysis, please refer to the section of “Overview” in this announcement.

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales decreased by 19.8% to approximately HK\$3,959.6 million for the Period from approximately HK\$4,936.3 million for the year of 2022. Gross profit for the Group increased to approximately HK\$3,967.7 million for the Period from approximately HK\$3,355.9 million for the year of 2022, and the gross profit margin increased by 9.6 percentage points to 50.1% for the Period from approximately 40.5% for the year of 2022. Gross profit increase was primarily attributable to strong improvement in gross margin driven by improvement in sea freights, favorable revenue mix, manufacturing cost saving and favorable foreign exchange rate fluctuations.

Other Income and Gains

Other income and gains of the Group decreased by approximately HK\$36.0 million to approximately HK\$129.4 million for the Period as compared to approximately HK\$165.4 million for the year of 2022, which was mainly attributable to the decrease in foreign exchange gain, the decrease in government grants and the decrease in fair value gains on derivative instruments and on call/put options over non-controlling interests, partially offset by the increase in net gain on disposal of property, plant and equipment and right-of-use assets.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consist of marketing expenses, personnel costs, rental and commission, travel expenses and logistics expenses. The selling and distribution expenses increased by approximately HK\$194.3 million to approximately HK\$2,266.7 million for the Period from approximately HK\$2,072.4 million for the year of 2022. The increase was mainly attributable to increase in marketing, logistics and travel expenses.

Administrative Expenses

The Group's administrative expenses primarily consist of personnel costs, R&D costs, professional fee, depreciation and amortization cost, travel expenses, IT expenses and other office expenses. The administrative expenses increased by approximately HK\$115.8 million to approximately HK\$1,461.5 million for the Period from approximately HK\$1,345.7 million for the year of 2022. The increase was mainly due to increase in personnel costs, professional fee, IT and travel expenses.

Other Expenses

Other expenses of the Group decreased to approximately HK\$0.5 million for the Period from approximately HK\$2.4 million for the year of 2022. Other expenses of the Group decreased by approximately HK\$1.9 million, which was mainly attributable to the decrease in stroller rental cost.

Operating Profit

As a result of the foregoing, the Group's operating profit increased by approximately 265.5 %, or HK\$267.6 million, to approximately HK\$368.4 million for the Period from approximately HK\$100.8 million for the year of 2022.

Finance Income

For the Period, the Group's finance income increased by approximately 12.1%, or HK\$5.2 million, to approximately HK\$48.2 million from approximately HK\$43.0 million for the corresponding period in 2022. The Group's finance income mainly represents interest income from bank deposits.

Finance Costs

For the Period, the Group's finance costs increased by approximately 56.3 %, or HK\$77.7 million, to approximately HK\$215.6 million from approximately HK\$137.9 million for the year of 2022. The increase was primarily attributable to interest rate hikes by the U.S. Federal Reserve.

Profit Before Tax

As a result of the foregoing, the profit before tax of the Group increased to approximately HK\$196.4 million for the Period from approximately HK\$1.2 million for the year of 2022.

Income Tax

The Group's income tax credit was approximately HK\$12.1 million for the Period, and the income tax credit was approximately HK\$38.9 million for the year of 2022. The decrease in the income tax credit was aligned with the increase of the profit before tax of the Group.

Profit for the Year

Profit of the Group for the Period increased by 420.0% to approximately HK\$208.5 million from approximately HK\$40.1 million for the year of 2022.

The non-GAAP profit of the Group increased by 203.7% to approximately HK\$239.9 million for the Period from approximately HK\$79.0 million for the year of 2022.

Non-GAAP Financial Measures

To supplement the consolidated results of the Group prepared in accordance with IFRS, certain non-GAAP financial measures, including non-GAAP operating profit, non-GAAP operating margin, non-GAAP profit before tax, non-GAAP profit for the year and non-GAAP net margin, have been presented in this announcement. The Company's management believes that the non-GAAP financial measures provide investors with more clear view on the Group's financial results, and with useful supplementary information to assess the performance of the Group's strategic operations by excluding certain impact of certain non-cash items, certain impact of merger and acquisition transactions, certain one-off operating loss and recognition of deferred tax expenses due to the change of tax law. Nevertheless, the use of these non-GAAP financial measures has limitations as an analytical tool. These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, analysis of the Company's financial performance prepared in accordance with IFRS. In addition, these non-GAAP financial measures may be defined differently from similar terms used by other companies.

The following tables set forth the reconciliations of the Company's non-GAAP financial measures for the years ended 31 December 2023 and 2022 to the nearest measures prepared in accordance with IFRS:

	Year Ended 31 December 2023				
	As reported (HK\$ million)	Adjustments			Non-GAAP (HK\$ million)
		Equity-settled share option expenses (HK\$ million)	Amortization of intangible assets (a) (HK\$ million)		
Operating profit	368.4	1.8	39.7	409.9	
Profit before tax	196.4	1.8	39.7	237.9	
Profit for the year	208.5	1.8	29.6	239.9	
Operating margin	4.6%			5.2%	
Net margin	2.6%			3.0%	

	Year Ended 31 December 2022				
	As reported (HK\$ million)	Adjustments			Non-GAAP (HK\$ million)
		Equity-settled share option expenses (HK\$ million)	Amortization of intangible assets (a) (HK\$ million)	Net fair value gains on call and put options (b) (HK\$ million)	
Operating profit	100.8	15.2	40.9	-10.0	146.9
Profit before tax	1.2	15.2	40.9	-10.0	47.3
Profit for the year	40.1	15.2	30.5	-6.8	79.0
Operating margin	1.2%				1.8%
Net margin	0.5%				1.0%

Notes:

- (a) Amortization of intangible assets arising from acquisitions, net of related deferred tax.
- (b) Net fair value gains or losses on call options and put options granted to non-controlling shareholders of certain subsidiaries of the Group.

Working Capital and Financial Resources

	As at 31 December 2023 (HK\$ million)	As at 31 December 2022 (HK\$ million)
Trade and notes receivables (including trade receivables due from related parties)	1,182.2	999.8
Trade and notes payables (including trade payables due to related parties)	1,304.9	1,170.4
Inventories	1,462.8	1,902.0
	Year 2023	Year 2022
Trade and notes receivables turnover days ⁽¹⁾	50	49
Trade and notes payables turnover days ⁽²⁾	113	102
Inventories turnover days ⁽³⁾	153	157

Notes:

- (1) Trade and notes receivables turnover days = Number of days in the reporting period x (average balance of trade and notes receivables at the beginning and at the end of the period)/revenue in the reporting period.
- (2) Trade and notes payables turnover days = Number of days in the reporting period x (average balance of the trade and notes payables at the beginning and at the end of the period)/cost of sales in the reporting period.
- (3) Inventories turnover days = Number of days in the reporting period x (average balance of inventories at the beginning and at the end of the period)/cost of sales in the reporting period.

The increase in trade and notes receivables was mainly attributable to the relatively high balance of trade and notes receivables at the end of the Period caused by the higher Period-end monthly revenue than average monthly revenue during the Period. Trade and notes receivables turnover days remained stable.

The increase of trade and notes payables and the trade and notes payables turnover days was mainly attributable to a better credit term management and the improvement in more favorable payment terms.

The decrease of inventories and inventories turnover days were mainly attributable to working capital improvement as well as a lower level of inventory in transit for the Period end as compared to year end 2022.

Liquidity and Financial Resources

As at 31 December 2023, the Group's monetary assets, including cash and cash equivalents, time deposits, pledged deposits and financial assets designated at fair value through profit or loss, were approximately HK\$2,198.9 million (31 December 2022: approximately HK\$2,069.7 million).

As at 31 December 2023, the Group's interest-bearing bank loans and other borrowings were approximately HK\$2,793.8 million (31 December 2022: approximately HK\$3,354.8 million), including short-term bank loans and other borrowings of approximately HK\$2,705.8 million (31 December 2022: approximately HK\$1,182.0 million) and long-term bank loans and other borrowings with repayment terms ranging from one to two years of approximately HK\$88.0 million (31 December 2022: approximately HK\$2,172.8 million). Among the Group's interest-bearing bank loans and other borrowings, approximately HK\$550.1 million were at fixed interest rates (31 December 2022: approximately HK\$666.1 million) and approximately HK\$2,243.7 million were at variable interest rates (31 December 2022: approximately HK\$2,688.7 million).

As a result, as at 31 December 2023, the Group's net debt position was approximately HK\$594.9 million (31 December 2022: approximately HK\$1,285.1 million).

Contingent Liabilities

In the ordinary course of business, the Group may from time to time be involved in legal proceedings and litigations. The Group records a liability when the Group believes that it is both probable that a loss has been incurred by the Group and the amount can be reasonably estimated. With respect to the Group's outstanding legal matters, notwithstanding that the outcome of such legal matters is inherently unpredictable and subject to uncertainties, the Group believes that, based on its current knowledge, the amount or range of reasonably possible loss will not, either individually or in the aggregate, have a material adverse effect on the Group's business, financial position, results of operations, or cash flows.

Exchange Rate Fluctuations

The Group is a multinational enterprise with operations in different countries and regions and the money that it used to conduct its business and transaction is denominated in various currencies, and the Group uses Hong Kong dollar ("HK\$") as its reporting currency, which is pegged to US\$. The Group's revenue is mainly denominated in US\$, RMB and EUR. The Group's procurement and OPEX are mainly denominated in RMB, US\$ and EUR. The net exposures to foreign currency risks of the Group's operating results are mainly the US\$ and EUR revenue against RMB procurement and OPEX. The Group would benefit from the appreciation of US\$ and EUR against RMB but would suffer losses if US\$ or EUR depreciates against RMB. The Group uses forward contracts to eliminate the foreign currency exposures.

Pledge of Assets

As at 31 December 2023, bank deposits of approximately HK\$552.0 million (31 December 2022: HK\$788.7 million) were pledged for certain standby letter of credit from banks and for guarantee. Bank deposits of approximately HK\$23.5 million (31 December 2022: HK\$9.8 million) were pledged for interest reserve. No machinery (31 December 2022: certain machinery amounting to approximately HK\$2.3 million) was pledged to secure bank loan granted to the Group.

Gearing Ratio

As at 31 December 2023, the Group's gearing ratio (calculated by net debt divided by the sum of adjusted capital and net debt; the amount of net debt is calculated by the sum of trade and bills payables, other payables and accruals, payables due to related parties and interest-bearing bank loan and other borrowings (current and non-current) less monetary assets, including cash and cash equivalents, time deposits, pledged deposits and financial assets designated at fair value through profit or loss; the amount of adjusted capital is calculated by equity attributable to owner of the parent minus hedging reserve) was approximately 33.4% (31 December 2022: approximately 36.9%), or 35.4% after taking into consideration the impact of IFRS 16) (as at 31 December 2022: approximately 39.0%).

Employees and Remuneration Policy

As at 31 December 2023, the Group had a total of 6,224 full-time employees (31 December 2022: 7,357). For the Period, costs of employees, excluding Directors' emoluments, amounted to a total of approximately HK\$1,683.0 million (year ended 31 December 2022: approximately HK\$1,762.3 million). The Group determined the remuneration packages of all employees with reference to their position, competency, performance, value and market salary trend. The Group provides its employees in the PRC and other countries and regions with welfare schemes as required by applicable local laws and regulations.

On 5 November 2010, the Company adopted a share option scheme ("**2010 Share Option Scheme**") to incentivize or reward eligible participants for their contribution to the Group for the purpose of motivating the eligible participants to optimize their performance efficiency for the benefit of the Group, and attracting and retaining or otherwise maintaining on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group. As the 2010 Share Option Scheme expired on the tenth anniversary of its adoption, and to enable the Company to continue to grant share options to eligible participants as incentives or rewards for their contributions to the success of the Group, the Company terminated the 2010 Share Option Scheme and approved and adopted a new share option scheme (the "**2020 Share Option Scheme**") at its annual general meeting held on 25 May 2020. A summary of the principal terms of the 2020 Share Option Scheme is set out in Appendix III of the Company's circular dated 22 April 2020.

As at 31 December 2023, there were 126,703,250 outstanding share options in total under the 2010 Share Option Scheme and the 2020 Share Option Scheme (31 December 2022: 132,301,300 share options).

OTHER INFORMATION

Annual General Meeting

The annual general meeting of the Company (the “**AGM**”) will be held on 20 May 2024 (Monday). A notice convening the AGM will be published and despatched to the shareholders of the Company in the manner required by Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in due course.

Proposed Amendments to the Memorandum and Articles of Association of the Company and Adoption of the Third Amended and Restated Memorandum and Articles of Association

Following the Consultation Conclusions on Proposals to Expand the Paperless Listing Regime and Other Rule Amendments published by the Stock Exchange in June 2023, the Listing Rules have been amended with effect from 31 December 2023 such that, among others, that any “corporate communication” (as defined under the Listing Rules) must, to the extent permitted under all applicable laws and regulations, be satisfied by the listed issuer by (i) sending or otherwise making available the corporate communication to the relevant holders of its securities using electronic means or (ii) making the corporate communication available on its website and the Stock Exchange’s website. Listed issuers must make any necessary amendments to their constitutional documents no later than the first annual general meeting following 31 December 2023 to facilitate their compliance with such requirements. In view of that, the Board proposes to amend the existing memorandum and articles of association of the Company (the “**Proposed Amendments**”) in order to facilitate the Company’s compliance with the said electronic communication requirements.

The Proposed Amendments and the adoption of the third amended and restated memorandum and articles of association of the Company are subject to the approval of the shareholders of the Company (the “**Shareholders**”) by way of a special resolution at the forthcoming AGM of the Company. A circular containing, among other things, further information regarding the Proposed Amendments and the adoption of the third amended and restated memorandum and articles of association of the Company together with the notice of the AGM will be despatched to the Shareholders in due course.

Important Events after the Period

There were no other important events that required additional disclosure or adjustments occurred after the end of the Period and up to the date of this announcement.

Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: nil).

Book Close Period

For the purposes of ascertaining the members' eligibility to attend and vote at the AGM, the Company's register of members will be closed during the following period:

- Latest time to lodge transfers documents for registration 4:30 p.m. on 13 May 2024 (Monday)
- Closure of register of members 14 May 2024 (Tuesday) to 20 May 2024 (Monday), both days inclusive

To be eligible to attend and vote at the AGM, all duly stamped instruments of transfers, accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than the latest time as stated above.

Corporate Governance

For the year ended 31 December 2023, the Company had complied with all the code provisions ("CG Code") as set out in Part 2 of Appendix C1 to the Listing Rules.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended 31 December 2023.

Purchase, Sale and Redemption of listed securities

There was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries during the year ended 31 December 2023.

Model Code for Securities Transactions by Directors

Since the listing of the Company on the Main Board of the Stock Exchange on 24 November 2010, the Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules as the code for the dealings in securities transactions by the Directors. Having made specific enquires, all Directors have confirmed that they complied with the required standard of dealings set out in the Model Code for the year ended 31 December 2023.

Audit Committee

As at the date of this announcement, the audit committee of the Company (the “**Audit Committee**”) consists of Ms. Chiang Yun, Mr. Shi Xiaoguang and Mr. So Tak Young. The chairlady of the Audit Committee is Ms. Chiang Yun.

The annual results for the year ended 31 December 2023 of the Company have been reviewed by the Audit Committee. The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary announcement have been agreed by the Group’s independent auditor, Ernst & Young.

The Audit Committee has also reviewed the accounting policies and practices adopted by the Company and discussed risk management and internal control with senior management members.

Appreciation

The chairman of the Group would like to take this opportunity to thank his fellow Directors for their invaluable advice and guidance, and to each and every one of the staff of the Group for their hard work and loyalty to the Group.

Publication of Financial Results and Annual Report

This annual results announcement is published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.gbinternational.com.hk>). The annual report of the Company for the year ended 31 December 2023 containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and made available for review on the same websites in due course.

By order of the Board
Goodbaby International Holdings Limited
Song Zhenghuan
Chairman

Hong Kong, 26 March 2024

As at the date of this announcement, the executive Directors are Mr. SONG Zhenghuan, Mr. LIU Tongyou, Mr. Martin POS and Mr. Michael Nan QU; the non-executive Directors are Ms. FU Jingqiu and Mr. HO Kwok Yin, Eric; and the independent non-executive Directors are Ms. CHIANG Yun, Mr. SHI Xiaoguang, Mr. JIN Peng and Mr. SO Tak Young.