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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

Financial Highlights	For the six months ended		Year-on-year change
	2024	2023	
	30 June		
	(HK\$ in millions, unless specified)		
Revenue	4,187.6	3,889.2	7.7%
Gross profit	2,201.5	1,784.8	23.3%
Operating profit ¹	279.4	112.7	147.9%
Non-GAAP ² operating profit	299.2	135.3	121.1%
Profit for the period	187.3	29.9	526.4%
Profit for the period attributable to owners of the parent	185.4	25.0	641.6%
Earnings per share (HK\$)			
– basic	0.11	0.01	1,000.0%
– diluted	0.11	0.01	1,000.0%

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**”, each a “**Director**”) of Goodbaby International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to present the unaudited interim results of the Group for the six months ended 30 June 2024 (the “**Period**”), together with the comparative figures for the corresponding period in 2023 as below.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 (Unaudited) (HK\$'000)	2023 (Unaudited) (HK\$'000)
Revenue	4	4,187,639	3,889,199
Cost of sales		<u>(1,986,091)</u>	<u>(2,104,401)</u>
Gross profit		2,201,548	1,784,798
Other income and gains	4	10,718	60,401
Selling and distribution expenses		(1,205,245)	(1,027,978)
Administrative expenses		(727,033)	(704,201)
Other expenses		<u>(604)</u>	<u>(343)</u>
Operating profit		279,384	112,677
Finance income	5	18,586	21,347
Finance costs	6	(87,683)	(106,855)
Share of profits/(losses) of:			
Joint ventures		7,593	(2,061)
An associate		<u>–</u>	<u>(437)</u>
PROFIT BEFORE TAX	7	217,880	24,671
Income tax (expense)/credit	8	<u>(30,594)</u>	<u>5,181</u>
PROFIT FOR THE PERIOD		<u>187,286</u>	<u>29,852</u>
Attributable to:			
Owners of the parent		185,447	25,012
Non-controlling interests		<u>1,839</u>	<u>4,840</u>
		<u>187,286</u>	<u>29,852</u>
Earnings per share attributable to ordinary equity holders of the parent:	10		
Basic			
For profit for the period (HK\$)		<u>0.11</u>	<u>0.01</u>
Diluted			
For profit for the period (HK\$)		<u>0.11</u>	<u>0.01</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	(HK\$'000)	(HK\$'000)
PROFIT FOR THE PERIOD	<u>187,286</u>	<u>29,852</u>
Other comprehensive gain/(loss)		
Other comprehensive gain/(loss) that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges		
Effective portion of changes in fair value of hedging instruments arising during the period	4,702	(96,508)
Reclassification adjustments for losses included in the consolidated statement of profit or loss	20,885	52,810
Income tax effect	<u>(1,842)</u>	<u>7,779</u>
	23,745	(35,919)
Exchange differences:		
Exchange differences on translation of foreign operations	<u>(150,154)</u>	<u>(173,801)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<u>(126,409)</u>	<u>(209,720)</u>
Other comprehensive loss for the period, net of tax	<u>(126,409)</u>	<u>(209,720)</u>
Total comprehensive income/(loss) for the period	<u>60,877</u>	<u>(179,868)</u>
Attributable to:		
Owners of the parent	59,636	(183,042)
Non-controlling interests	<u>1,241</u>	<u>3,174</u>
	<u>60,877</u>	<u>(179,868)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	<i>Notes</i>	30 June 2024 (Unaudited) (HK\$'000)	31 December 2023 (Audited) (HK\$'000)
NON-CURRENT ASSETS			
Property, plant and equipment		814,211	888,935
Right-of-use assets		228,364	276,546
Goodwill		2,560,764	2,608,675
Other intangible assets		2,057,554	2,045,025
Investments in joint ventures		4,825	5,191
Investment in an associate		8,142	8,333
Deferred tax assets		96,239	85,142
Other long-term assets		4,260	4,179
		5,774,359	5,922,026
CURRENT ASSETS			
Inventories	11	1,580,349	1,462,781
Trade and notes receivables	12	1,236,396	1,175,812
Prepayments and other receivables		599,572	597,599
Due from related parties		–	6,397
Financial assets at fair value through profit or loss		32,250	55,011
Cash and cash equivalents		803,720	981,899
Pledged deposits		605,557	612,028
Time deposits		–	549,998
Derivative financial instruments	15	22,859	9,903
		4,880,703	5,451,428
CURRENT LIABILITIES			
Trade and bills payables	13	1,320,899	1,304,386
Other payables and accruals		913,628	920,041
Income tax payable		70,955	55,405
Provision		49,452	48,550
Interest-bearing bank loans and other borrowings	14	2,105,355	2,705,829
Lease liabilities		88,061	107,127
Derivative financial instruments	15	16,565	42,013
Due to related parties		1,383	502
Defined benefit plan liabilities		378	379
		4,566,676	5,184,232
NET CURRENT ASSETS		314,027	267,196
TOTAL ASSETS LESS CURRENT LIABILITIES		6,088,386	6,189,222

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 June 2024

	<i>Notes</i>	30 June 2024 (Unaudited) (HK\$'000)	31 December 2023 (Audited) (HK\$'000)
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	14	–	88,018
Provision		29,437	25,451
Defined benefit plan liabilities		2,736	2,775
Other liabilities		1,639	1,563
Lease liabilities		116,538	148,518
Deferred tax liabilities		249,254	295,164
		<hr/>	<hr/>
Total non-current liabilities		399,604	561,489
		<hr/>	<hr/>
Net assets		5,688,782	5,627,733
		<hr/>	<hr/>
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital		16,680	16,680
Reserves		5,645,493	5,585,685
		<hr/>	<hr/>
		5,662,173	5,602,365
		<hr/>	<hr/>
Non-controlling interests		26,609	25,368
		<hr/>	<hr/>
Total equity		5,688,782	5,627,733
		<hr/>	<hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

1. CORPORATE INFORMATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2024 were authorized to be issued in accordance with a resolution of directors on 30 August 2024.

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

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The financial information is presented in Hong Kong Dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
	<i>(the "2020 Amendments")</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i>
	<i>(the "2022 Amendments")</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

After years of development, to realign the Group's up to date core competence in different business sections, from 1 January 2024, the Group reclarified its product categories as below:

- (a) Wheeled goods segment, which engages in the research, design, manufacture and sale of wheeled goods, including strollers, jogging strollers and other child conveyances that move on wheels, and accessories under the Group's own brands and third parties' brands. Products in this segment require a same set of technology and manufacturing knowhow and infrastructure;
- (b) Car seats segment, which engages in the research, design, manufacture and sale of car safety seats and accessories for child under the Group's own brands and third parties' brands; and
- (c) Other categories segment, which engages in the research, design, manufacture, outsource and sale of other children's products, including apparels, personal care and sanitary products, home textiles, toys, activities, kids ride-on products, home furniture for child and other similar products under the Group's own brands and third parties' brands.

In addition, the Group redefined the geographical areas, namely Europe, Middle East, India and Africa ("EMEIA"), "Americas" and Asia Pacific ("APAC"), to reflect global market strategies. Comparative figures have been represented to conform with current period's presentation.

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

Six months ended 30 June 2024

	Wheeled goods (HK\$'000) (Unaudited)	Car seats (HK\$'000) (Unaudited)	Other categories (HK\$'000) (Unaudited)	Consolidated (HK\$'000) (Unaudited)
Segment revenue (note 4)				
Sales to external customers	<u>1,694,830</u>	<u>1,884,065</u>	<u>608,744</u>	<u>4,187,639</u>
Segment results	913,376	1,059,299	228,873	2,201,548
Reconciliation:				
Other income and gains				10,718
Corporate and other unallocated expenses				(1,936,413)
Other expenses				(604)
Finance income				18,586
Finance costs (other than interest on lease liabilities)				(83,548)
Share of profit of:				
Joint ventures				7,593
An associate				—
Profit before tax				<u>217,880</u>
Other segment information:				
Impairment losses recognised in the statement of profit or loss, net	8,820	9,835	4,028	22,683
Depreciation and amortisation	90,409	88,527	36,530	215,466

Six months ended 30 June 2023

	Wheeled goods (HK\$'000) (Unaudited)	Car seats (HK\$'000) (Unaudited)	Other categories (HK\$'000) (Unaudited)	Consolidated (HK\$'000) (Unaudited)
Segment revenue (note 4)				
Sales to external customers	1,565,221	1,606,374	717,604	3,889,199
Segment results	731,588	784,513	268,697	1,784,798
Reconciliation:				
Other income and gains				60,401
Corporate and other unallocated expenses				(1,738,310)
Other expenses				(343)
Finance income				21,347
Finance costs (other than interest on lease liabilities)				(100,724)
Share of losses of:				
Joint ventures				(2,061)
An associate				(437)
Profit before tax				<u>24,671</u>
Other segment information:				
Impairment losses recognised in the statement of profit or loss	12,259	11,606	11,134	34,999
Depreciation and amortisation	103,788	88,563	43,071	235,422

Geographical information

(a) Revenue from external customers

	EMEIA market (HK\$'000) (Unaudited)	Americas market (HK\$'000) (Unaudited)	APAC market (HK\$'000) (Unaudited)	Total (HK\$'000) (Unaudited)
Six months ended 30 June 2024				
Segment revenue:				
Sales to external customers	1,835,035	1,393,940	958,664	4,187,639
Six months ended 30 June 2023				
Segment revenue:				
Sales to external customers	1,567,420	1,360,121	961,658	3,889,199

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

(b) Non-current assets

	30 June 2024 <i>(HK\$'000)</i> (Unaudited)	31 December 2023 <i>(HK\$'000)</i> (Audited)
APAC	3,654,792	3,794,361
Americas	1,127,201	1,091,133
EMEIA	878,900	933,687
Total	5,660,893	5,819,181

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

Information about major customers

During the six months ended 30 June 2024, revenue from sales to the two major third-party customers were HK\$517,715,000 and HK\$412,805,000, respectively (six months ended 30 June 2023: two major third-party customers were HK\$505,584,000 and HK\$482,495,000). The revenue from sales to the customers were derived from sales by the wheeled goods, car seats and other categories 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:

	Six months ended 30 June 2024 <i>(HK\$'000)</i> (Unaudited)	2023 <i>(HK\$'000)</i> (Unaudited)
<i>Revenue from contracts with customers</i>		
Sale of goods	4,173,838	3,874,415
Rendering of testing services	13,801	14,784
Total	4,187,639	3,889,199

Revenue from contracts with customers

(i) Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2024

Segments	Wheeled goods <i>HK\$'000</i> (Unaudited)	Car seats <i>HK\$'000</i> (Unaudited)	Other categories <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Type of goods or services				
Sale of goods	1,694,830	1,884,065	594,943	4,173,838
Rendering of testing services	–	–	13,801	13,801
Total revenue from contracts with customers	<u>1,694,830</u>	<u>1,884,065</u>	<u>608,744</u>	<u>4,187,639</u>
Timing of revenue recognition				
Goods transferred at a point in time	1,694,830	1,884,065	594,943	4,173,838
Services transferred at a point in time	–	–	13,801	13,801
Total revenue from contracts with customers	<u>1,694,830</u>	<u>1,884,065</u>	<u>608,744</u>	<u>4,187,639</u>
Revenue from contracts with customers				
External customers	<u>1,694,830</u>	<u>1,884,065</u>	<u>608,744</u>	<u>4,187,639</u>

For the six months ended 30 June 2023

Segments	Wheeled goods <i>HK\$'000</i> (Unaudited)	Car seats <i>HK\$'000</i> (Unaudited)	Other categories <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Type of goods or services				
Sale of goods	1,565,221	1,606,374	702,820	3,874,415
Rendering of testing services	–	–	14,784	14,784
Total revenue from contracts with customers	<u>1,565,221</u>	<u>1,606,374</u>	<u>717,604</u>	<u>3,889,199</u>
Timing of revenue recognition				
Goods transferred at a point in time	1,565,221	1,606,374	702,820	3,874,415
Services transferred at a point in time	–	–	14,784	14,784
Total revenue from contracts with customers	<u>1,565,221</u>	<u>1,606,374</u>	<u>717,604</u>	<u>3,889,199</u>
Revenue from contracts with customers				
External customers	<u>1,565,221</u>	<u>1,606,374</u>	<u>717,604</u>	<u>3,889,199</u>

Other income and gains

	Six months ended 30 June	
	2024 (HK\$'000) (Unaudited)	2023 (HK\$'000) (Unaudited)
Other income and gains:		
Government grants (<i>note (a)</i>)	3,536	2,963
Gain on sales of scrap materials (<i>note (b)</i>)	2,355	1,609
Gain on wealth investment products	945	381
Gain on disposal of fixed assets (<i>note (c)</i>)	754	–
Net foreign exchange gain	679	44,341
Compensation income (<i>note (d)</i>)	507	2,410
Others	1,942	8,697
Total	<u>10,718</u>	<u>60,401</u>

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

Note (c): The amount represents the gain on disposal of building, machinery, and other fixed assets.

Note (d): The amount represents the compensation received from: i) customers as a result of cancellation of orders, ii) suppliers due to defective products or shipment delay and iii) other infringement compensation.

5. FINANCE INCOME

	Six months ended 30 June	
	2024 (HK\$'000) (Unaudited)	2023 (HK\$'000) (Unaudited)
Interest income on bank deposits	<u>18,586</u>	<u>21,347</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2024 (HK\$'000) (Unaudited)	2023 (HK\$'000) (Unaudited)
Interest on bank loans, overdrafts and other loans	83,548	100,724
Interest on lease liabilities	<u>4,135</u>	<u>6,131</u>
Total	<u>87,683</u>	<u>106,855</u>

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2024 (HK\$'000) (Unaudited)	2023 (HK\$'000) (Unaudited)
Cost of inventories sold*	1,977,143	2,095,935
Cost of services provided	8,948	8,466
Depreciation of property, plant and equipment	124,880	139,949
Depreciation of right-of-use assets	53,585	60,014
Amortisation of intangible assets	37,001	35,459
R&D costs**	201,990	195,501
Short-term rental expenses***	16,042	15,236
Auditors' remuneration	4,883	5,060
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	935,755	831,479
Share option expense	172	2,634
Pension scheme costs (defined benefit plans) (including administrative expense)	596	167
Pension scheme contributions	31,880	31,736
	968,403	866,016
Net foreign exchange gain	(679)	(44,341)
Gain on wealth investment products	(945)	(381)
Provision for impairment of receivables	7,847	26,687
Provision of inventories	14,836	8,312
Product warranties and liabilities	11,537	10,118
(Gain)/loss on disposal of items of property, plant and equipment	(754)	7
Bank interest income	(18,586)	(21,347)

* 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.

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

*** Short-term rental expenses consist of payments of leases with lease term within 12 months of the date of initial application and property management fee on retail stores, storages and office premises.

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% (2023: 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 (2023: 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 13.65% to 17.15%.

The Group's subsidiary registered in the Czech Republic is subject to income tax based on the taxable income at the rate of 21%.

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 Mainland China, 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 expense/(credit) of the Group are as follows:

	Six months ended 30 June	
	2024	2023
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(Unaudited)	(Unaudited)
Current income tax	71,200	35,222
Deferred income tax	(40,606)	(40,403)
	<hr/>	<hr/>
Income tax expense/(credit) reported in the statement of profit or loss	30,594	(5,181)
	<hr/>	<hr/>

9. DIVIDENDS

The board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2024 (Six months ended 30 June 2023: nil).

12. TRADE AND NOTES RECEIVABLES

	As at 30 June 2024 <i>(HK\$'000)</i> (Unaudited)	As at 31 December 2023 <i>(HK\$'000)</i> (Audited)
Trade receivables	1,284,680	1,232,046
Notes receivables	385	–
Impairment of trade receivables	(48,669)	(56,234)
	<hr/>	<hr/>
Total	1,236,396	1,175,812
	<hr/>	<hr/>

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 minimize credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

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

	As at 30 June 2024 <i>(HK\$'000)</i> (Unaudited)	As at 31 December 2023 <i>(HK\$'000)</i> (Audited)
Within 3 months	1,181,935	1,135,850
3 to 6 months	31,168	20,628
6 months to 1 year	15,357	8,801
Over 1 year	7,936	10,533
	<hr/>	<hr/>
Total	1,236,396	1,175,812
	<hr/>	<hr/>

13. 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:

	As at 30 June 2024 (HK\$'000) (Unaudited)	As at 31 December 2023 (HK\$'000) (Audited)
Within 3 months	1,110,641	1,021,642
3 to 12 months	192,597	273,753
1 to 2 years	9,539	3,455
2 to 3 years	5,024	3,401
Over 3 years	3,098	2,135
	<hr/>	<hr/>
Total	1,320,899	1,304,386

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.

14. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

		As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
		Maturity	Maturity
Current			
Bank overdrafts – secured	<i>Note (a) and Note (b)</i>	On demand 198,842	On demand 185,684
Bank overdrafts – unsecured	<i>Note (a)</i>	On demand 13,965	On demand 2,971
Current portion of long-term bank loans – secured	<i>Note (b)</i>	2024 1,290,138	2024 1,666,510
Current portion of long-term bank loans – unsecured		2024-2025 268,749	2024 495,099
Bank borrowings – secured	<i>Note (b)</i>	2024 164,831	2024 165,173
Bank borrowings – unsecured		2024-2025 168,830	2024 190,392
		<hr/>	<hr/>
		2,105,355	2,705,829
Non-current			
Bank borrowings – unsecured		<hr/>	2025 <hr/>
		–	88,018
Total		<hr/>	<hr/>
		2,105,355	2,793,847

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

	As at 30 June 2024 (HK\$'000) (Unaudited)	As at 31 December 2023 (HK\$'000) (Audited)
RMB	343,462	775,655
USD	1,444,756	1,821,231
EUR	309,851	188,655
JPY	7,286	8,306
	<hr/>	<hr/>
Total	2,105,355	2,793,847

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

	As at 30 June 2024 (HK\$'000) (Unaudited)	As at 31 December 2023 (HK\$'000) (Audited)
Fixed interest rate	386,756	550,110
Variable interest rate	1,718,599	2,243,737
	<hr/>	<hr/>
Total	2,105,355	2,793,847

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

	As at 30 June 2024 (HK\$'000) (Unaudited)	As at 31 December 2023 (HK\$'000) (Audited)
Within one year	2,105,355	2,705,829
In the second year	–	88,018
	<hr/>	<hr/>
Total	2,105,355	2,793,847

Note (a): The bank overdraft facilities amounted to HK\$322,943,000, of which HK\$212,807,000 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 30 June 2024, 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.

Note (c): The effective interest rates of the bank loans and other borrowing range from 1.20% to 7.56% (2023: 1.05% to 7.61%).

15. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2024	
	Assets	Liabilities
	(HK\$'000)	(HK\$'000)
	(Unaudited)	(Unaudited)
Designated as hedging instruments		
– Forward currency contracts	22,859	16,069
– Cross currency swap contracts	–	496
	<hr/>	<hr/>
Total	22,859	16,565
	<hr/>	<hr/>
	As at 31 December 2023	
	Assets	Liabilities
	(HK\$'000)	(HK\$'000)
	(Audited)	(Audited)
Designated as hedging instruments		
– Forward currency contracts	9,903	42,013
	<hr/>	<hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Continuing Growth Momentum in Revenue and Profitability

During the Period, the macro environment moderately stabilized but with persisting challenges: economic vulnerabilities remained amid high interest rates and ongoing intensified geopolitical conflicts in Europe and the Middle East, which challenged sustained economic growth, undermined consumer confidence and, again, disrupted global logistics operations, causing a lack of containers and increase in sea freight costs. In addition, the negative factor of declining birth rates across major economies, which is specific to the global juvenile products industry, continued to pose pressure on the Group's business.

Amidst dynamics and uncertainties, the Group managed to well continue the momentum from the second half of 2023 and recorded growth in both revenue and profitability. Revenue grew by 7.7% year on year in a shrinking global juvenile products industry, with accelerating growth momentum quarter over quarter. The momentum was mainly driven by positive business performance of the Group's CYBEX brand, Evenflo brand and Blue Chip business, partially offset by decline of gb brand in China market. As a result, the Group continued to gain market shares in international markets and further consolidated its leading position globally. The Group's profitability significantly improved: gross margin improved by 6.7 percentage points to a high level of 52.6%, demonstrating the Group's constant efforts in improving product competitiveness and operational efficiency; operating profit margin improved by 3.9 percentage points to 6.8%. The Group continued to generate solid operating cash flow during the Period and further paid down debts, delivering its consistent commitment on profitability improvement and cash flow management. The Group also successfully secured a new refinancing program during the Period, which will further improve the Group's financing structure.

The continued growth momentum derived from the Group's global competitiveness:

1. The 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.

Our revenue for the Period increased by 7.7% to approximately HK\$4,187.6 million from approximately HK\$3,889.2 million for the corresponding period in 2023. Foreign exchange rate fluctuated between the Period and the corresponding period in 2023, particularly 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 6.2% increase as compared to the corresponding period in 2023. Reported gross profit increased by 23.3% to approximately HK\$2,201.5 million for the Period from approximately HK\$1,784.8 million for the corresponding period in 2023. Reported operating profit increased by 147.9% to approximately HK\$279.4 million from

approximately HK\$112.7 million for the corresponding period in 2023 and on a non-GAAP basis, our operating profit increased by 121.1% to approximately HK\$299.2 million for the Period from approximately HK\$135.3 million for the corresponding period in 2023. Reported net profit increased by 526.4% to approximately HK\$187.3 million from approximately HK\$29.9 million for the corresponding period in 2023 and on a non-GAAP basis, our net profit increased by 325.7% to approximately HK\$202.2 million for the Period from approximately HK\$47.5 million for the corresponding period in 2023.

Summary of the Group's revenue:

For the six months ended 30 June						
(HK\$ million)	2024		2023		Change (%)	Change on a constant currency basis (%)
Group Revenue	\$4,187.6		\$3,889.2		+7.7%	+6.2%
By Brand	Amount	% of Revenue	Amount	% of Revenue	Change (%)	Change on a constant currency basis (%)
Strategic brands	3,792.3	90.6%	3,554.7	91.4%	+6.7%	+5.1%
CYBEX	2,158.2	51.5%	1,814.8	46.7%	+18.9%	+16.7%
Evenflo	1,133.8	27.1%	1,101.3	28.3%	+3.0%	+0.7%
gb	500.3	12.0%	638.6	16.4%	-21.7%	-20.3%
Blue Chip and other business	395.3	9.4%	334.5	8.6%	+18.2%	+17.4%

While business performance may diverge geographically due to region-specific situations, the Group on the whole was advancing the planned track. In addition, the Group continued its efforts in social responsibilities and sustainability.

EXECUTIVE SUMMARY

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

- **CYBEX** brand achieved another all-time high in revenue and profitability despite a tough environment featuring declining birth rate in Europe, weak European economy, retailer and consumer insecurities and logistics disruptions resulting from intensified geopolitical conflicts. Backed by strong market demand for its products, the brand outpaced the industry and achieved an outstanding performance across its core categories, channels and key markets. CYBEX recorded strong growth of 18.9% (a 16.7% increase on a constant currency basis) in the Period to approximately HK\$2,158.2 million from approximately HK\$1,814.8 million for the corresponding period in 2023. With such strong growth in revenue, CYBEX continued to outperform competition and gain market shares across its key markets. With revenue growth effect, profitability started to be further reflected, boosting the brand's operating profit margin to a record high level. The sustained outstanding performance was a result of CYBEX's very strong and continuously enhanced brand position, industry leading self-owned wholesale and e-commerce distribution infrastructure, continued new launches and upgrade of existing products, and continued expansion and fortification of global omni-channel distribution network. CYBEX had 6 launches during the Period, including new categories, and all have been very well accepted by the market. The brand constantly sets standards for the juvenile products industry and is not afraid to challenge itself in disrupting these standards. For example, CYBEX launched Anoris T2 i-Size during the Period among other launches, successor of the car seat with the highest safety rating (from ADAC) of all time, CYBEX Anoris T i-Size. The airbag technology integrated in the upgraded product provides even more safety in the event of a frontal impact than conventional forward-facing child seats with a 5-point harness system. CYBEX continued to proudly receive awards from prominent international organizations, including two "Best in Class" awards from independent testing organization (e.g. ADAC), two Reddot Design awards and four German Design awards, in recognition of the brand's outstanding performance in product design and innovation. CYBEX continued to reinforce its global leading position as the premium "technical-lifestyle" brand.
- **Evenflo** brand recorded moderate growth during the Period, thus continued to gain market share in a shrinking market and further consolidate its leading position in North America. The brand revenue grew by 3.0% (a 0.7% increase on a constant currency basis) in the Period to approximately HK\$1,133.8 million from approximately HK\$1,101.3 million for the corresponding period in 2023. The brand's profitability significantly improved, demonstrating its continuous efforts in improving product competitiveness and operational efficiency. The 3.0% revenue growth and improved profitability were a result of solid double-digit growth of its core product portfolio which has a higher margin and decline in low-margin products. The continued positive business performance was mainly driven by significant growth in digital channels, positive consumer acceptance of innovative products, especially car seats, continued product launches and elevated brand image. Evenflo brand is renowned for pioneering innovations in the US juvenile products industry. For example, it proudly introduced America's first modular child and pet travel system designed to fit the whole family during the Period. Evenflo's disruptive Revolve rotational car seat, which was America's first safety product accommodating all stages, continued to dominate the market. These products are testaments of Evenflo's passion for crafting products that make parenting more enjoyable and convenient.

- **gb** brand recorded a decline of 21.7% (a 20.3% decrease on a constant currency basis) in the Period to approximately HK\$500.3 million from approximately HK\$638.6 million for the corresponding period in 2023 as a result its continued right-sizing of commercial operations and brand transformation. The brand continued to execute the new business model focusing on social media-based channels featuring content marketing, data-driven consumer insights and proactive consumer engagement, and made progress during the Period: expanded branding exposure highlighting key product items led to solid conversion rate, higher revenue was recorded from emerging livestreaming channels and double-digit growth was recorded in the offline retail channel. On a constant currency, the brand's revenue decline narrowed to 7.8% in the second quarter from 33.8% decline in the first quarter. The brand continued to receive multiple prominent international awards in recognition of its commitment to product design and innovation.

During the Period, our Blue Chip and other business recorded revenue increase of 18.2% (a 17.4% increase on a constant currency basis) to approximately HK\$395.3 million in the Period as compared to approximately HK\$334.5 million for the corresponding period in 2023. The revenue increase was primarily driven by the significant rebound of Blue Chip business as destocking of the Group's Blue Chip customers had ended, offsetting the decline of tactical brands resulting from the Group's continued portfolio rationalization in other business. The Group's relationship with its Blue Chip customers remained healthy and stable.

OUTLOOK

As geopolitical conflicts in Europe and the Middle East continue to evolve, there is a clear trend of further logistics disruptions, leading to higher sea freight costs and a lack of containers, and persisting consumer insecurities in the Group's core markets. In addition, though inflation has been temporarily tempered by central banks' tightening measures, dynamics exist that the global economic situation could interact with political dynamics to reignite inflation pressures and prompt additional central bank tightening. The Group will remain agile and vigilant building on its solid momentum during the Period while keeping a close eye on possible negative macro impacts.

Overall, we remain very confident of and will continue our vertically integrated one-dragon brand-driven strategy through sustained strategic investments to maintain and consolidate our global competitiveness, which will continue to inject momentum into the Group's business and enhance its resilience in the face of uncertainties. Under the strategy, focus will continue to be given to our strategic brands of CYBEX, Evenflo and gb and the ongoing development of our Blue Chip business.

On a global basis, we will continue to expand and deepen omni-channel distribution network and infrastructure 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 and consolidate our global supply chain strategies as we embrace supplier partnerships and broaden our global footprint to ensure we are quicker and more efficient to respond to market changes and leverage regional capabilities through mother market operations.

Brand-driven strategy supported by world-class technology, manufacturing, supply chain excellence, innovation, digitalization and cost optimization will 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 increased by 7.7% to approximately HK\$4,187.6 million from approximately HK\$3,889.2 million for the corresponding period in 2023. Foreign exchange rate fluctuated between the Period and the corresponding period in 2023, particularly 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 Group's reporting currency in HKD after currency translation. On a constant currency basis, our revenue for the Period recorded a 6.2% increase compared to the corresponding period in 2023.

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 5.6% to approximately HK\$1,986.1 million for the Period from approximately HK\$2,104.4 million for the corresponding period in 2023. Gross profit of the Group increased to approximately HK\$2,201.5 million for the Period from approximately HK\$1,784.8 million for the corresponding period in 2023, and the gross profit margin increased by 6.7 percentage points to 52.6% for the Period from approximately 45.9% for the corresponding period in 2023. The increase in gross profit was a mixed result of increase in revenue and improvement in gross profit margin mainly driven by favorable brand revenue mix, brand margin improvement and decrease in input costs.

Other Income and Gains

Other income and gains of the Group decreased by approximately HK\$49.7 million to approximately HK\$10.7 million for the Period as compared to approximately HK\$60.4 million for the corresponding period in 2023, which was mainly attributable to the decrease in foreign exchange gain.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consist of marketing expenses, personnel costs, rental and commission and logistics costs. The selling and distribution expenses increased by approximately HK\$177.2 million to approximately HK\$1,205.2 million for the Period from approximately HK\$1,028.0 million for the corresponding period in 2023. The increase was mainly attributable to the increase in marketing expenses which supported revenue growth and logistics costs, which was the result of increased revenue.

Administrative Expenses

The Group's administrative expenses primarily consist of personnel costs, R&D costs, depreciation and amortization cost and other office expenses. The administrative expenses increased by approximately HK\$22.8 million to approximately HK\$727.0 million for the Period from approximately HK\$704.2 million for the corresponding period in 2023. The increase was a combined result of the increase in the R&D costs and personnel costs, the decrease in provision for impairment of receivables and the slight increase in other administrative expenditures.

Other Expenses

Other expenses of the Group increased by approximately HK\$0.3 million to approximately HK\$0.6 million for the Period from approximately HK\$0.3 million for the corresponding period in 2023, which was mainly attributable to the increase in the fair value loss derived from derivative financial instruments.

Operating Profit

As a result of the foregoing, the Group's operating profit increased by approximately 147.9%, or HK\$166.7 million, to approximately HK\$279.4 million for the Period from approximately HK\$112.7 million for the corresponding period in 2023.

Finance Income

For the Period, the Group's finance income decreased to approximately HK\$18.6 million from approximately HK\$21.3 million for the corresponding period in 2023. The Group's finance income mainly represents interest income from bank deposits.

Finance Costs

For the Period, the Group's finance costs decreased by approximately HK\$19.2 million to approximately HK\$87.7 million from approximately HK\$106.9 million for the corresponding period in 2023. The decrease aligned with the decrease in balance of interest-bearing bank loans and other borrowings.

Profit Before Tax

As a result of the foregoing, the profit before tax of the Group increased by 782.2% to approximately HK\$217.9 million for the Period from a profit before tax of approximately HK\$24.7 million for the corresponding period in 2023.

Income Tax

The Group's income tax expense was approximately HK\$30.6 million for the Period, and the income tax credit was approximately HK\$5.2 million for the corresponding period in 2023. The increase of income tax expense aligned with the increase of the profit before tax of the Group.

Profit for the Period

Profit of the Group for the Period increased by approximately HK\$157.4 million to approximately HK\$187.3 million from approximately HK\$29.9 million for the corresponding period in 2023.

The non-GAAP profit of the Group increased by approximately 325.7% to approximately HK\$202.2 million for the Period from approximately HK\$47.5 million for the corresponding period in 2023.

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 Period and non-GAAP net margin, are presented. The Company's management believes that the non-GAAP financial measures provide investors with a more meaningful 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 non-cash items, certain impact of merger and acquisition transactions and certain one-off bad debt provision and operating loss. 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 six months ended 30 June 2024 and 2023 to the nearest measures prepared in accordance with IFRS:

Six months ended 30 June 2024				
Adjustments				
	As reported (HK\$ million)	Equity-settled share option expenses (HK\$ million)	Amortization of intangible assets and inventory appreciation (a) (HK\$ million)	Non-GAAP (HK\$ million)
Operating profit	279.4	0.2	19.6	299.2
Profit before tax	217.9	0.2	19.6	237.7
Profit for the period	187.3	0.2	14.7	202.2
Operating margin	6.7%			7.1%
Net margin	4.5%			4.8%

Six months ended 30 June 2023				
Adjustments				
	As reported (HK\$ million)	Equity-settled share option expenses (HK\$ million)	Amortization of intangible assets and inventory appreciation (a) (HK\$ million)	Non-GAAP (HK\$ million)
Operating profit	112.7	2.6	20.0	135.3
Profit before tax	24.7	2.6	20.0	47.3
Profit for the period	29.9	2.6	15.0	47.5
Operating margin	2.9%			3.5%
Net margin	0.8%			1.2%

Note:

(a) Amortization of intangible assets arising from acquisitions, net of related deferred tax.

Working Capital and Financial Resources

	As at 30 June 2024 (HK\$ million)	As at 31 December 2023 (HK\$ million)
Trade and notes receivables (including trade receivables due from related parties)	1,236.4	1,182.2
Trade and notes payables (including trade payables due to related parties)	1,322.3	1,304.9
Inventories	1,580.3	1,462.8
	As at 30 June 2024	As at 31 December 2023
Trade and notes receivables turnover days ⁽¹⁾	52	50
Trade and notes payables turnover days ⁽²⁾	119	113
Inventories turnover days ⁽³⁾	138	153

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 increase in the revenue of 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 increase of inventories was mainly attributable to inventory preparation for the order demands for the third quarter of year 2024. The decrease of inventory turnover days was a combined result of working capital improvement together with the fact that the inventory at the end of last year and at the end of the Period was substantially lower than the inventory at the beginning of last year.

Liquidity and Financial Resources

As at 30 June 2024, the Group's monetary assets, including cash and cash equivalents, pledged time deposits and financial assets designated at fair value through profit or loss, were approximately HK\$1,441.5 million (31 December 2023: approximately HK\$2,198.9 million).

As at 30 June 2024, the Group's interest-bearing bank loans and other borrowings were approximately HK\$2,105.4 million (31 December 2023: approximately HK\$2,793.8 million), including short-term bank loans and other borrowings of approximately HK\$2,105.4 million (31 December 2023: approximately HK\$2,705.8 million) and nil long-term bank loans and other borrowings with repayment terms ranging from one to two years (31 December 2023: approximately HK\$88.0 million). Among the Group's interest-bearing bank loans and other borrowings, approximately HK\$386.8 million were at fixed interest rates (31 December 2023: approximately HK\$550.1 million) and approximately HK\$1,718.6 million were at variable interest rates (31 December 2023: approximately HK\$2,243.7 million).

As a result, as at 30 June 2024, the Group's net debt position was approximately HK\$663.9 million (31 December 2023: approximately HK\$594.9 million).

During the Period, the Group successfully secured a new refinancing program, which will further improve the Group's financing structure.

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.

As at 30 June 2024, the Group had no material contingent liabilities (as at 31 December 2023: nil).

Exchange Rate Fluctuations

The Group is a multinational enterprise with operations in different countries 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 30 June 2024, bank deposits of approximately HK\$539.1 million (31 December 2023: HK\$552.0 million) were pledged for certain standby letter of credit from banks and for guarantee. Bank deposits of approximately HK\$23.5 million (31 December 2023: HK\$23.5 million) were pledged for interest reserve.

Gearing Ratio

As at 30 June 2024, 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, pledge 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 33.9% (31 December 2023: approximately 33.4%) or 35.4% after taking into consideration the impact of IFRS 16) (as at 31 December 2023: approximately 35.4%).

Employees and Remuneration Policy

As at 30 June 2024, the Group had a total of 6,329 full-time employees (31 December 2023: 6,224). For the Period, costs of employees, excluding Directors' emoluments, amounted to a total of approximately HK\$953.8 million (for the corresponding period of 2023: approximately HK\$870.4 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 30 June 2024, there were 112,110,000 outstanding share options in total under the 2010 Share Option Scheme and the 2020 Share Option Scheme (31 December 2023: 126,703,250 share options).

Significant Acquisition, Disposal or Investment

During the Period, the Group did not have any material acquisition or disposals of subsidiaries and associated companies, and investment.

OTHER INFORMATION

Events After the Reporting Period

On 2 July 2024, the Company announced that it has resolved to grant 113,594,000 share options (the “**Share Options**”) to subscribe for an aggregate of 113,594,000 new shares of HK\$0.01 each in the capital of the Company, to eligible participants (the “**Grantees**”, and each a “**Grantee**”) subject to the acceptance by the Grantees, pursuant to the 2020 Share Option Scheme. The 113,594,000 Share Options were granted to Directors and certain employees of the Group, at an exercise price of HK\$0.485 and would be vested in accordance with the following dates:

- (A) with respect to 59,748,000 Share Options would be vested on 2 July 2025;
- (B) with respect to 10,447,200 Share Options would be vested on 2 July 2026;
- (C) with respect to 20,609,800 Share Options would be vested on 2 July 2027;
- (D) with respect to 13,479,000 Share Options would be vested on 2 July 2028; and
- (E) with respect to 9,310,000 Share Options would be vested on 2 July 2029.

An aggregate of 113,594,000 Share Options would be granted to Directors and employees of the Group as detailed below:

Name of Grantee	Capacity	Number of Share Options granted
Directors		
Mr. Song Zhenghuan	the chairman of the Board and an executive Director	1,668,000
Mr. Liu Tongyou	the chief executive officer and an executive Director	10,000,000
Mr. Martin Pos	an executive Director	16,680,000
Ms. Fu Jingqiu	a non-executive Director	<u>1,668,000</u>
Sub-total		<u>30,016,000</u>

Name of Grantee	Capacity	Number of Share Options granted
Employees		
Mr. Martin Patrick Pos	an employee of the Group and the son of Mr. Martin Pos	1,750,000
Ms. Sharon Kobler	an employee of the Group and the daughter of Mr. Song Zhenghuan and Ms. Fu Jingqiu	1,668,000
Other individuals	other employees of the Group	<u>80,160,000</u>
Sub-total		<u>83,578,000</u>
Total		<u><u>113,594,000</u></u>

Except for the Share Options granted to Mr. Song Zhenghuan, Mr. Liu Tongyou, Mr. Martin Pos, Ms. Fu Jingqiu, Mr. Martin Patrick Pos and Ms. Sharon Kobler, none of the Grantees is a Director, chief executive or substantial shareholder of the Company, or any of their respective associates (as defined in the Listing Rules). Pursuant to Rule 17.04(1) of the Listing Rules, the grant of the Share Options to each of the aforesaid Directors and their respective associates has been approved by the independent non-executive Directors. After the grant of the Share Options, 8,533,816 remaining shares will be available for future grant under the 2020 Share Option Scheme.

Save as disclosed above, no material events affecting the Company or its subsidiaries has occurred subsequent to 30 June 2024.

Purchase, Sale or Redemption of Shares

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares). As at 30 June 2024, the Company did not hold any treasury shares.

Dividend

The Board did not recommend payment of any dividend for the Period (six months ended 30 June 2023: Nil).

Corporate Governance

The Board has committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and formulate its business strategies and policies as well as to enhance corporate value and accountability.

The Company has applied the principles set out in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and has also put in place certain recommended best practices as set out in the CG Code. The Board is of the opinion that the Company has complied with all the code provisions set out in the CG Code throughout the Period.

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 Period.

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 unaudited interim condensed consolidated financial information of the Group for the Period have been reviewed by the Audit Committee.

The unaudited interim results for the Period have been reviewed by the Company’s auditors, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

Publication of Interim Report

This interim results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.gbinternational.com.hk>). The interim report of the Company for the Period containing all the information required by the Listing Rules will be despatched 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, 30 August 2024

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