Goodbaby International

2023
Annual Report

Goodbaby International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
www.gbinternational.com.hk
Stock Code: 1086

Corporate Information

CORPORATE INFORMATION

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Song Zhenghuan *(Chairman)*
Mr. Liu Tongyou *(Chief Executive Officer)*
Mr. Martin Pos
Mr. Xia Xinyue *(resigned on 29 February 2024)*
Mr. Michael Nan Qu

NON-EXECUTIVE DIRECTORS

Ms. Fu Jingqiu
Mr. Ho Kwok Yin, Eric

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chiang Yun
Mr. Shi Xiaoguang
Mr. Jin Peng
Mr. So Tak Young

AUDIT COMMITTEE

Ms. Chiang Yun *(Chairlady)*
Mr. Shi Xiaoguang
Mr. So Tak Young

NOMINATION COMMITTEE

Ms. Chiang Yun *(Chairlady)*
Mr. Shi Xiaoguang
Mr. So Tak Young

REMUNERATION COMMITTEE

Ms. Chiang Yun *(Chairlady)*
Mr. Shi Xiaoguang
Mr. So Tak Young

AUDITORS

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road

PRINCIPAL SHARE REGISTRAR

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D
P.O. Box 1586, Gardenia Court
Camana Bay, Grand Cayman, KY1-1100
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong
Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
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Wan Chai
Hong Kong

CORPORATE INFORMATION

REGISTERED OFFICE

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KY1-1111
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HEAD OFFICE

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PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2502, 25/F.
Tung Chiu Commercial Centre
193 Lockhart Road
Wan Chai
Hong Kong

COMPANY SECRETARY

Ms. Ho Wing Tsz, Wendy

AUTHORIZED REPRESENTATIVES

Mr. Song Zhenghuan
Ms. Ho Wing Tsz, Wendy

WEBSITE

www.gbinternational.com.hk

STOCK CODE

1086

Chairman's Statement

CHAIRMAN'S STATEMENT

Dear shareholders,

2023 witnessed slow global economic recovery, intensifying geopolitical conflicts, which further negatively impacted consumer confidence, together with a decline in the global birth rate, these factors, combined with destocking activities undertaken by retailers and customers that continued into the Period ("the year ended 31 December 2023"), had a directly adverse impact on the Group's ("Goodbaby International Holdings Limited, together with its subsidiaries") performance. However, despite this challenging business environment, the Group was able to turn around its performance from the previous year. The Group's sales revenue gradually stabilized as the year went on, and it achieved its highest quarterly sales for the year in the fourth quarter; its profitability also improved, rebounding strongly in the second half of the year. This was a performance driven by the Group's diversified brand portfolio, its globally balanced business footprint, the further integration of its global supply chain capabilities, and the crisis management experience and capabilities accumulated over the past few years. The Group's operational resilience has been significantly enhanced as a result.

In 2023, the Group recorded sales revenue of HK$7,927.3 million, representing a decrease of 4.4% (or a 3.2% decrease on a constant currency basis) from 2022. Profitability rebounded strongly and a strong operating cash flow was recorded, reflecting the Group's ongoing commitment to improvements in these areas.

CYBEX achieved record sales revenue of HK$3,696.9 million, representing a strong year-on-year increase of 12.5% (or an increase of 11.1% on a constant currency basis). Its profit and cash flow both reached record highs. As a brand that combines "technology and art", CYBEX enjoys a leading position among premium lifestyle brands and has built up a powerful brand momentum. During the Period, CYBEX made positive advances in terms of branding, products, and channel. Its new "*La Parisianne*" collection, offered exclusively through high-end department stores, integrates timeless elegance with new parenting lifestyles and proved a hit among consumers. Product quality and innovation remained the core principles of the brand, with CYBEX products continuing to embrace iconic design while meeting the highest standards and expectations of consumers in terms of safety, quality and functionality. During the Period, four CYBEX products received "Good" ratings in the ADAC test, and three of these were test winners. CYBEX products also won a Red Dot Design Award and five German Design Awards, pushing the number of awards for product quality and design excellence received since the brand's inception to over 500. CYBEX also continued to expand its global omni-channel sales network in the year. Now with coverage of some 110 countries and regions around the world, CYBEX is able to provide exceptional services for its global fans and is further enhancing its status as a premium global "technical-lifestyle" brand.

gb continued to undergo a process of commercial right-sizing and brand transformation. The brand recorded sales revenue of HK$1,161.0 million during the Period, a year-on-year decrease of 21.2% (or a decrease of 17.6% on a constant currency basis). During the Period, gb restructured its management team, reformed its sales channels and consolidated its core capabilities, in a process to stabilize the brand's business fundamentals in a post-pandemic environment of weak consumption and a declining birth rate. This process has laid a solid foundation for further transformation, including business model reforms and ongoing organizational improvements planned for the coming year. In the Period, gb brand recorded positive growth in its offline business. Brand marketing on social media platforms began to gain momentum: the new "*gb Safety Cabin*" series repeatedly appeared on lists of best-sellers and trending topics, expanding exposure of the gb brand value "True Safety, Protecting What I Love". The brand also engaged in cross-industry cooperation, joining hands with new energy vehicle (NEV) manufacturers to create a "mobile safety cabin" car seat for the new energy era, which represents new travel standards for mothers and children. gb has remained committed to scientific and technological innovation, as well as to environmental protection. It has also maintained its commitments in fashion design and service, and pushed forward with its consumer-oriented retail strategy. During the Period, gb products won a number of international awards, including a German iF Design Award, two French GPDP Design Awards, a Korean K-design Design Award and a DFA Asia's Most Influential Design Award.

Evenflo has restructured its team to embrace a greater focus on product innovation and commercial excellence. It achieved sales revenue of HK$2,279.6 million for the Period, representing a slight decrease of 1.1% year-on-year (or an increase of 1.3% on a constant currency basis). With its business based in the United States where the industry declined as a whole, Evenflo was nevertheless able to increase its market share and thus further consolidate its position as a leading brand. Destocking activities by major US retailers continued from the fourth quarter of 2022 to the third quarter of the Period, dampening Evenflo's revenue. However, the brand recorded strong year-on-year growth in the fourth quarter of 2023 as destocking gradually ended, which placed its full year business on a positive growth trajectory on a constant currency basis. At the same time, the brand's profitability improved significantly and a strong operating cash flow was recorded, while all key performance indicators of the brand reached record highs. The brand continued to record strong growth in the D2C channel, while also launching innovative products, enhancing its brand image, and strengthening its brand marketing and digital operations. As a result, the brand achieved good results across all product categories. During the Period, two breakthrough products of Evenflo won two JPMA Innovation Awards and a PARENTS Best Children's Product Award.

During the Period, the Blue Chip business was affected by a decrease in orders due to destocking by its major customers and their retailer customers, resulting in a decline in revenue. However, the business stabilized and eventually rebounded in the fourth quarter, enjoying strong growth as destocking activities were phased out. The Group continued to meet its Blue Chip customers' needs by providing them with excellent service, superior manufacturing support, quality assurance, on-time delivery, and exceptional new product development. The Group's relationship with its Blue Chip customers remains healthy and stable.

During the Period, the Group further integrated its global resources by merging its North American manufacturing capabilities into its global supply chain platform. This platform now includes capabilities in technology, R&D, product manufacturing, supply chain management, testing and standards management. The move is better supporting the development of the Group's own strategic brands and the development of its Blue Chip business. The organizational structure and business processes of the platform have been further integrated, leading to ongoing improvements in efficiency. At the same time, the Group has further optimized costs, cultivated talent, and implemented scientific governance in its global supply chain platform, all of which have provided it with solid quality assurance and more flexible product delivery options. With these enhancements, the Group's global supply chain platform is continuing to provide strong support for the healthy and sustainable development of the Group's business.

During the Period, the Group continued to make advances in its R&D and innovation activities , successfully developing a series of key technologies and innovative products that have now entered the engineering and trial production stages. These include the industry's most advanced intelligent safety car seat, which applies Internet of Vehicles (IOV) technology exclusively developed by the Group for NEV manufacturers, a buckle-fastened airbag safety seat based on high-performance cloud computing and intelligent perceptive technology, and a new generation of the world's smallest folding stroller. During the Period, the Group applied for 394 patents, bringing its cumulative total of patent applications to 13,053. The Group's products included three ADAC Test Winners, and other product recognitions included a Red Dot Design Award, an iF Design Award, five German Design Awards, two JPMA Innovation Awards, two French GPDP Design Awards, a Korean K-design Award, and a DFA Asia's Most Influential Design Award. These achievements clearly demonstrate the Group's leadership in global industry R&D and innovation.

In the field of standards development and testing, during the Period the Group's laboratories obtained Dekra (German National Laboratory) authorization and three standard management system certifications, namely quality management system (QMS), environmental management system (EMS) and occupational health and safety assessment system (OHSAS) certifications, as well as greenhouse gas verification qualifications. These have further expanded the business scope of the Group's global testing and certification capabilities, bringing benefits both to the Group and its global customers. At the same time, the Group's experts continued to serve as the rotating chairman of the International Standards Technical Committee for Children's Products of the International Organization for Standardization (ISO/TC 310), for which the Group's experts have acted as chairman since January 2024. The conveners of two of the four working groups of ISO/TC 310 are experts from the Group, who lead a team of global experts in developing international standards for related children's products. During the Period, the Group's experts led or participated in the formulation and revision of 45 domestic and foreign standards, of which 13 have been released. As at the end of 2023, the Group's experts had led or participated in formulation and revision work for a total of 285 standards, of which 240 have been released.

Long-term growth prospects for the world economy are expected to remain muted in 2024, with consumer confidence continuing to be affected by geopolitical conflicts that are driving inflation and keeping interest rates high. When this is coupled with a decline in global birth rates, and with the United States entering an election year, the overall environment is full of uncertainties. However, the Group's past experience in managing crises has helped strengthen its resilience, improved its capabilities, and boosted team morale. The Group's success in turning around its performance in 2023 is inspiring, and shows that it is forging ahead on a solid and sustainable path. I am full of confidence in the future development of the Group. With cautious optimism regarding the macro environment, the Group management will direct employees in diligently executing the Group's strategies for growth. On behalf of the Board of Directors, I would like to express my gratitude for the continued trust and support extended by our shareholders, employees and partners throughout these times. We will continue to work hard to overcome challenges and create greater value for our shareholders, our employees, and society as a whole.

We look forward to your continued support.

Thank you!

Song Zhenghuan
Chairman
26 March 2024

Management Discussion & Analysis

MANAGEMENT DISCUSSION & 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

MANAGEMENT DISCUSSION & ANALYSIS

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:

	For the year ended 31 December					
(HK$ million)	2023		2022		Change (%)	Change on a constant currency basis (%)
Group Revenue	$7,927.3		$8,292.2		–4.4%	–3.2%
	Amount	% of Revenue	Amount	% of Revenue	Change (%)	Change on a constant currency basis (%)
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. reddot 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.

MANAGEMENT DISCUSSION & ANALYSIS

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" above.

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.

MANAGEMENT DISCUSSION & ANALYSIS

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 annual report. 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			
		Adjustments		
	As reported	Equity-settled share option expenses	Amortization of intangible assets (a)	Non-GAAP
	(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				
		Adjustments			
	As reported	Equity-settled share option expenses	Amortization of intangible assets (a)	Net fair value gains on call and put options (b)	Non-GAAP
	(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.

MANAGEMENT DISCUSSION & ANALYSIS

WORKING CAPITAL AND FINANCIAL RESOURCES

	As at 31 December 2023	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: approximately 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: approximately 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%).

MANAGEMENT DISCUSSION & ANALYSIS

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

As at 31 December 2023, there were no significant investments held by the Group or future plans for significant investments or capital assets.

The Company did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures for the Period.

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).

KEY RISKS AND UNCERTAINTIES

The Company's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The followings are the key risks and uncertainties identified by the Company with the understanding that it is not an exhaustive list of all risks and uncertainties. There may be other risks and uncertainties in addition to those shown below which are not known to the Company or which may not be material now but could turn out to be material in the future.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external circumstances. The Company adopts the "three lines of defense" model for operational risk governance: 1) the first line of defense is the business and functional management unit which is responsible for identifying and managing the risks inherent in the products, activities, processes and systems for which it is accountable; 2) a functionally independent corporate operational risk and compliance function, typically the finance or internal control department, is the second line of defense, generally supporting the business and functional management unit's operational risk management activities and ensuring the first line of defense is properly designed, in place, and operating as intended; 3) the third line of defense is internal audit function which provides assurance on the effectiveness of governance, risk management, and internal controls. The Company recognizes that operational risks cannot be eliminated completely and that it may not always be cost effective to do so.

Business units and supporting functions in the Company are guided by their internal control policies, standard operating procedures, limits of authority and reporting framework which are updated in response to business changes or business needs from time to time. The Company identifies and assesses key operational exposures regularly so that risk responses can be taken timely and appropriately.

Ability to attract, retain and motivate key personnel and talents with appropriate and required skills, experience and competence in a tightening talent market could lead to the risk of impacting the Company's operating and financial performance. The Company will continue to assess and enhance our remuneration, training and career development policy and system to attract, retain and motivate suitable talents.

BUSINESS RISK

The Company's product market is highly fragmented and competitive worldwide. The Company faces competition primarily from third-party local juvenile product brand owners in the mass market and owners of international brands in the mid to high end market. Failure to maintain the Company's competitive position may materially adversely affect our business, financial condition, results of operations and prospects. Furthermore, change of the overall market condition including but not limited to macroeconomic conditions and applicable regulations may also materially adversely impact the Company's sales, cost, expenses and profitability. The Company seeks to mitigate these potential adverse impacts through strategies such as safeguarding market competitiveness of the full range product portfolios, strengthening extensive global and local sales network, broadening customer base and geographical locations by leveraging the three home markets of the Company anchored in the three main regions, i.e. APAC, EMEA and Americas, and continual innovations and commercialization of cutting edge products to sustain market leadership.

FINANCIAL RISK

In the course of business operations, the Company is exposed to a variety of financial risks, including but not limited to market, liquidity and credit risks. The currency environment, interest rates cycles and mark to market value of derivative financial instruments may pose significant risks to the Company's financial condition, results of operations and businesses. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects of these risks with a material impact on the Company's financial performance.

Market risk is the risk that the Company's earnings and capital or its ability to meet its business objectives will be adversely affected by movement in foreign exchange rates, interest rates and equity prices. The Company has transactional currency exposure which arises from sales or purchases by operating units in currencies other than the units' functional currency. The Company closely monitors the relative foreign exchange positions of its assets and liabilities and has developed a complete set of foreign exchange management policies, processes and mechanism to mitigate foreign currency risk, such as negotiation of appropriate commercial terms and use of derivative financial instruments to hedge these risk exposures.

Financing risk is the risk that the Company may be unable to meet its obligations when they fall due because of the inability to obtain adequate funding or liquidate assets. In managing financing risk, the Company monitors cash flows and maintains an adequate level of cash and credit facilities to ensure the ability to finance the Company's operations and reduce the effects of fluctuation in cash flows.

MANAGEMENT DISCUSSION & ANALYSIS

Credit risk is the risk of losses arising from a counterparty defaulting on an obligation which will result in an economic loss to the Company. It arises from manufacturing and sales businesses and other activities undertaken by the Company. The Company's exposure to credit risk for its businesses arises primarily from its customers. New customers are subject to credit evaluation while the Company also continues to monitor its existing customers, especially those with repayment issues. Adequate credit insurance schemes are in place and managed centrally to mitigate potential default risks. The bank balances are deposited with creditworthy banks with no recent history of default.

REGULATORY AND COMPLIANCE RISK

The business operations of the Company cover three main regions and it is important to ensure compliance of applicable laws and regulations in different jurisdictions, such as laws of patent and product safety, that are relevant to the business scope and products/services of the Company. The Company has a few internal professional teams who, with the support from the appropriate external advisers, oversee compliance with prevailing legislative and industry requirements, monitor changes and new requirements set out in the relevant laws and regulations and formulate and take the appropriate actions and measures (where necessary).

Directors & Senior Management

DIRECTORS & SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

SONG Zhenghuan (宋鄭還), aged 75, is the chairman and executive director of the Company. He was also the chief executive officer of the Company from listing to 15 January 2016. With more than 30 years of experience in the juvenile products industry, Mr. Song is the founder and primarily responsible for our Group's overall strategic direction and the management of the Group's business. Mr. Song majored in mathematics and graduated from Jiangsu Teachers University (江蘇師範學院) in 1981 with a certificate of graduation. Prior to establishing the Company, Mr. Song was a teacher in Lujia Middle School in Kunshan City from 1973 to 1984 and was the Vice Principal from 1984 to 1993. Between 1989 and 1993, Mr. Song was also in charge of a factory run by Lujia Middle School, the predecessor of Goodbaby Group Co., Ltd., which is a major founding shareholder of our Group. In 1989, Mr. Song invented the first "push and rock" stroller and subsequently founded our Group to engage in the design, manufacture and marketing of strollers under the "好孩子 Goodbaby" brand in China. Because of Mr. Song's outstanding achievements, he was awarded the Ernst & Young Entrepreneur of the Year Award (安永企業家獎) for the Greater China region in 2006. In 2012, Mr. Song was awarded the "Chinese Toy Industry's Outstanding Achievement Award" (中國玩具行業傑出成就獎) by the China Toy Association. In 2013, Mr. Song was selected as winner of Walter L. Hurd Executive Medal 2013 by the Walter L. Hurd Fo.

Mr. Song is currently a director of the following companies in the Group:

(i) Goodbaby Child Products Co., Ltd.*;
(ii) Ningbo Goodbaby Child Products Co., Ltd.*;
(iii) Goodbaby Children's Products, Inc.;
(iv) Goodbaby (Hong Kong) Limited;
(v) Shanghai Goodbaby Fashion Co., Ltd;
(vi) Magellan Holding GmbH;
(vii) Goodbaby US Holdings, Inc.;
(viii) Serena Merger Co., Inc.;
(ix) WP Evenflo Holdings, Inc.;
(x) Evenflo Company, Inc.;
(xi) Evenflo Asia, Inc.;
(xii) Lisco Feeding, Inc.;
(xiii) Lisco Furniture, Inc.;
(xiv) Goodbaby (Europe) Group Limited;
(xv) Rollplay (Hong Kong) Co., Limited;
(xvi) OASIS DRAGON LIMITED;
(xvii) Goodbaby Retail & Service Holdings Company;
(xviii) Goodbaby (China) Retail & Service Company; and
(xix) Goodbaby Europe Holdings Limited.

Mr. Song is a shareholder and director of Cayey Enterprises Limited and also an indirect shareholder and director of Pacific United Developments Limited ("PUD"), both of which are substantial shareholders of the Company.

Mr. Song is a shareholder and director of Sure Growth Investments Limited, a substantial shareholder of the Company.

Mr. Song is the spouse of Ms. Fu Jingqiu, a non-executive director of the Company.

* *For identification purpose only*

LIU Tongyou (劉同友), aged 56, was appointed as an executive director of the Company on 21 February 2017 and Regional Chairman APAC on 15 July 2017. Mr. Liu has been appointed as the chief executive officer ("CEO") of the Company since 21 March 2023. Apart from being responsible for the overall management of the Group in his role as the CEO, Mr. Liu has also been responsible for the direct supervision and management of Group's finance, internal audit, legal affairs, investor relations and mergers and acquisitions, and the development and implementation of strategy and target for these areas in his direct supervision and management. Mr. Liu started to support the Group from 1994 and formally joined the Group in 1996. Since joining the Group, Mr. Liu has been responsible for the Group's finance, internal audit, legal affairs and investment & financing management, and has successively served as the vice president and chief financial officer of the Group. Mr. Liu received his bachelor's degree of science in 1989 and master's degree in economics in 1992. Mr. Liu worked for a famous Economist, Jiang Yiwei (蔣一葦), as his academic secretary in 1992. He joined the Beijing Standard Consultancy Company (北京標準股份制諮詢公司) in 1993 as the business director and responsible for consulting on the restructuring as well as listing consultancy of a number of Chinese enterprises, including Haier Electric Appliance Company and Hainan Airlines Company. Mr. Liu was awarded the "2010 China Top Ten Outstanding CFOs" by China's "Chief Financial Officer" magazine and the "CFO of the Year" by the Hong Kong "2017 China Finance Awards".

Mr. Liu is currently a director of the following Group companies:

(i) Goodbaby (Hong Kong) Limited;
(ii) Goodbaby Child Products Co., Ltd*;
(iii) Ningbo Goodbaby Child Products Co.,Ltd*;
(iv) EQO Testing and Certification Services Co., Ltd.*;
(v) Goodbaby Czech Republic s.r.o.;
(vi) Columbus Trading-Partners Japan Limited; and
(vii) Goodbaby Europe Holdings Limited; and

Mr. Liu is also a director of PUD, a substantial shareholder of the Company.

Mr. Liu is a shareholder and director of Silvermount Limited. Mr. Liu is also a shareholder of Sure Growth Investments Limited, a substantial shareholder of the Company.

* *For identification purpose only*

DIRECTORS & SENIOR MANAGEMENT

Martin POS, aged 54, is an executive director of the Company. Mr. Pos is the founder of the Group's strategic brand CYBEX. As the executive chairman of CYBEX, Mr. Pos is responsible for leading the brand's strategy implementation and overall management, all the brand's business units and functions across each continent, comprising technical services, supply chain and manufacturing, brand portfolio management, international distribution, national distribution and the brand's central services, reporting directly to the Board. He is an entrepreneur with over 22 years of industry experience including the development and management of premium lifestyle brands, most notably the global distribution, design and development of premium baby products. Following the merger of CYBEX in early 2014, Mr. Pos was appointed as the executive director of the Company in March 2014 primarily responsible for the management of portfolio of global brands for our Company. In December 2014, Mr. Pos was appointed as the deputy CEO. During the period from January 2016 to 21 March 2023, Mr. Pos acted as the CEO of the Company.

Michael Nan QU (曲南), aged 56, was appointed as an executive director of the Company since 18 March 2014 and chairman for the Northern and Southern American markets since 15 July 2017. Since December 2014, Mr. Qu has been primarily responsible for our Blue Chip customers worldwide, working in a leadership role for the American market. Prior to this, Mr. Qu was our company's vice president, primarily responsible for managing key overseas accounts and strategic overseas resources. Mr. Qu joined us in 1994 and he is one of the founding members of the overseas business of the Group. Mr. Qu studied economics in the Economics School of Peking University from 1986 to 1989. He then went to the United States to study business administration at George Mason University from 1989 to 1992.

Mr. Qu is currently a director of the following companies in the Group:

(i) Goodbaby Children's Products, Inc. (also as an executive vice president);
(ii) Goodbaby (Hong Kong) Limited;
(iii) Goodbaby US Holdings, Inc.;
(iv) Serena Merger Co., Inc.;
(v) WP Evenflo Holdings, Inc.;
(vi) Evenflo Company, Inc.;
(vii) Evenflo Asia, Inc.;
(viii) Lisco Feeding, Inc.;
(ix) Lisco Furniture, Inc.;
(x) Columbus Trading – Partners USA Inc.;
(xi) Goodbaby Canada Inc.;
(xii) Muebles Para Ninos De Baja, S.A. De C.V.;
(xiii) Goodbaby Europe Holdings Limited; and
(xiv) Columbus Trading – Partners Canada Inc..

Mr. Qu is a shareholder of Sure Growth Investments Limited, a substantial shareholder of the Company.

NON-EXECUTIVE DIRECTORS

FU Jingqiu (富晶秋), aged 72, was appointed as a non-executive director of the Company on 10 November 2017. With her over 30 years of extensive experience in retail and distribution of juvenile products in China, Ms. Fu provides business operation guidance and advisory consulting services to the Group for development and management of its business in China market. Ms. Fu is the co-founder of Goodbaby China Holdings Limited (together with its subsidiaries collectively referred to "CAGB Group") and is now primarily responsible for the overall business management and strategic development of CAGB Group. Before the founding of CAGB Group, Ms. Fu was the vice president of Goodbaby Child Products Co., Ltd. ("GCPC"), from February 1993 to July 2010, where she was primarily responsible for retail and distribution of GCPC products in China market.

Ms. Fu is currently a director of the following companies in the Group:

(i) Shanghai Goodbaby Fashion Co., Ltd;
(ii) Goodbaby (China) Retail & Service Company; and
(iii) Goodbaby (Nantong) Fashion Co., Ltd*.

Ms. Fu is a shareholder and director of Cayey Enterprises Limited and also an indirect shareholder and director of PUD, both of which are substantial shareholders of the Company.

Ms. Fu is a shareholder and director of Sure Growth Investments Limited, a substantial shareholder of the Company. Ms. Fu is a shareholder and director of Rosy Phoenix Limited, a substantial shareholder of the Company.

Ms. Fu is the spouse of Mr. Song Zhenghuan, the chairman and executive director of the Company.

* *For identification purpose only*

HO Kwok Yin, Eric (何國賢), aged 67, was appointed as a non-executive director of the Company on 1 February 2013. Mr. Ho was admitted as a solicitor in England and Wales in 1987 and as a solicitor in Hong Kong in 1988. He was a founding partner of Sidley Austin in Hong Kong and remained a partner of the firm until his retirement in 2010. Mr. Ho has over 30 years of experience in the legal profession with related expertise in international mergers and acquisitions and private equity transactions. Mr. Ho received a Bachelor of Social Science Degree from the Chinese University of Hong Kong in 1980.

DIRECTORS & SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHIANG Yun (張昀), aged 56, was re-designated as an independent non-executive director of the Company with effect from 23 May 2014. Ms. Chiang was a non-executive director of the Company for the period from 15 November 2007 to 22 May 2014 and a director of the Company for the period from 14 July 2000 to 14 November 2007. Ms. Chiang has over 29 years of private equity investment experience and is the founder of Prospere Capital Ltd. She was a founding managing partner of the private equity business of Pacific Alliance Group. Ms. Chiang is an independent non-executive director of Sands China Ltd. (HKEX: 1928) ("Sands"), and a member of the audit committee, the nomination committee and the Chairlady of the ESG Committee of Sands. Ms. Chiang is also an independent non-executive director of Pacific Century Premium Developments Limited (HKEX: 432) ("PCPD"), the chairlady of PCPD's remuneration committee and a member of PCPD's audit committee and nomination committee. Ms. Chiang was appointed as a non-executive director of Yantai Changyu Pioneer Wine Company Limited, a company listed on the Shenzhen Stock Exchange, on 1 June 2020. Ms. Chiang received an EMBA degree from The Kellogg Graduate School of Management of North-western University in the U.S. and Hong Kong University of Science and Technology in 1999. Ms. Chiang also received her Bachelor of Science degree, cum laude, from Virginia Polytechnic Institute and State University in the U.S. in 1992.

SHI Xiaoguang (石曉光), aged 77, was appointed as an independent non-executive director of the Company on 5 November 2010. Mr. Shi has been the consultant of China Toy & Juvenile Products Association (中國玩具和嬰童用品協會) (formerly known as the China Toy Association (中國玩具協會)) since 26 March 2015. In January 2012, Mr. Shi became the member of the Governance Board of the ICTI CARE Foundation. Mr. Shi has been elected as a new director of the ICTI CARE Foundation representing China since June 2016. Mr. Shi was formerly the chairman of China Toy & Juvenile Products Association and a director of the International Council of Toy Industries since 2005. In October 2000, Mr. Shi was appointed as the vice-chairman of the National Technical Committee of Standardization for Toys by the General Administration of Quality Supervision Inspection and Quarantine. China Toy & Juvenile Products Association routinely provides information and holds training seminars on toy safety, product design and market development. The responsibilities of China Toy & Juvenile Products Association include recommending the safety standards and/or regulations of durable juvenile products, and to recommending the safety standards and/or regulations of other general toys and related products in the industry. Mr. Shi graduated from Beijing University of Chemical Technology (北京化工大學) (formerly known as Beijing College of Chemical Technology (北京化工學院)) with a Bachelor's degree in chemical apparatus and engineering in July 1974. Mr. Shi served as the vice-chairman of the department of general administration of The Ministry of Science and Technology from 1985 to 1987. He became a certified engineer in the PRC in September 1987, as granted by the State Scientific and Technological Commission (國家科學技術委員會). From November 1987 to November 1990, he served as the deputy general of China National Scientific Instruments and Materials Corporation (中國科學器材公司). Mr. Shi was appointed as the chairman of the service centre of The Ministry of Light Industry in 1989. From 1993 to 2007, he served as the general manager of China National Arts & Crafts (Group) Corporation (中國工藝美術集團公司) (formerly known as China National Arts & Crafts Corporation (中國工藝美術總公司)).

JIN Peng (金鵬), aged 48, was appointed as an independent non-executive director of the Company on 21 February 2017. Mr. Jin has over 20 years of experience in technology investments, entrepreneurship, financial advisory and corporate management. Mr. Jin started his career in 1998 as a member of Bear Stearns Asia's New Media & Telecom group. In 2000, Mr. Jin joined 21 Vianet Group Inc. (NASDAQ: VNET) as an executive vice president where he was responsible for overseeing business development, product, marketing and international sales and was later appointed as a chief financial officer. From 2003 to 2007, Mr. Jin served as a partner in CEC Capital Group (formerly known as China eCapital Corporation) where he provided fund raising, merger and acquisition advisory services for growth stage companies in the PRC. In 2008, Mr. Jin co-founded Keytone Ventures, a venture fund focusing on early stage technology investment opportunities with a total asset under management of US$420 million. Mr. Jin left Keytone Ventures in 2014 to start Emerge Ventures, a venture studio specializing in mostly seed and angel investments and incubating technology startups. Mr. Jin was appointed as chief operating officer and secretary of Bison Capital Acquisition Corp. (NASDAQ: BCACU) on 20 December 2016. In addition, Mr. Jin was appointed as an executive director of Cinedigm Corp. (NASDAQ: CIDM) on 1 November 2017. Mr. Jin obtained a bachelor's degree with a dual major in Finance and Information Systems from the New York University in 1998.

SO Tak Young (蘇德揚), aged 53, has been appointed as an independent non-executive director of the Company on 23 May 2022. Mr. So has more than 20 years of experience in finance, accounting, investment and private equity businesses with global financial institutions and asset management companies. He started his career as an auditor with Ernst & Young, Hong Kong from February 1993 to December 1994. Mr. So has served as a managing partner of FastLane Group since July 2012. He has been serving as an independent non-executive director and chairman of the audit committee of Shanghai Henlius Biotech, Inc. (HKEX: 2696) since September 2019 and CARsgen Therapeutics Holdings Limited (HKEX: 2171) since June 2021. Mr. So has previously served various positions, including vice president of global capital market/Asia treasury and vice president of financial controls of Bank of America, Hong Kong from January 1998 to March 2002, head of finance and operations of consumer and commercial banking in Hong Kong, head of asset and liability management of Greater China and chief financial officer of private client banking in Hong Kong of ABN AMRO Bank N.V., Hong Kong from March 2002 to January 2005, chief financial officer of Hamon Asset Management Limited, an affiliate of Bank of New York Mellon from February 2005 to August 2007, chief financial officer of Asia Pacific of asset management division for Deutsche Bank, Hong Kong from August 2007 to November 2011, and chief financial officer of PAG Capital from November 2011 to April 2012. Mr. So received his bachelor of business degree and his master of business administration degree from the University of Technology in Sydney, Australia in April 1994 and September 1998, respectively. He is a fellow member of Certified Practicing Accountant Australia since August 2011.

DIRECTORS & SENIOR MANAGEMENT

SENIOR MANAGEMENT

Johannes SCHLAMMINGER, aged 44, is the CEO of the strategic brand CYBEX. He joined CYBEX in 2010 and has held various management positions within the Company. In November 2016, Mr. Schlamminger was appointed as CEO of CYBEX and in November 2017, he was appointed as Group's Executive Vice President responsible for group brand portfolio management while continuing his role as CEO of CYBEX as well as supporting product development and international sales for gb brand durable products. Prior to this, Mr. Schlamminger had worked as head of channel business for ZF Electronics, a supplier of computer devices and electronic automotive parts, and was a professional basketball player at BBC Bayreuth. Through the many positions he was holding, Mr. Schlamminger was able to gain strong commercial and retail experience in the global juvenile industry. Paired with his excellent capabilities in customer understanding and attention to detail, this acquired knowledge leads to an exceptional commercial and operational record.

Rongfen JIANG (姜蓉芬), aged 51, is the CEO of the China market business and the CEO of the strategic brand gb. Ms. Jiang took over the responsibility for the Group's business development in China as CEO of the China market business in November 2018. In addition to this role, Ms. Jiang is also responsible for the development of the gb brand globally as CEO of gb. Ms. Jiang joined the Group in February 2016 as General Manager of gb branded baby care business. Given her proven track record of achieving fast and profitable growth for the baby care business for two consecutive years, Ms. Jiang was then promoted to Senior Vice President to assume responsibility for the business of all the gb branded product categories in China. Before Ms. Jiang joined the Group, she had more than 15 years of experience in managing international fashion brands and retailing in China market.

James, ZHOU, aged 56, is the CEO of the strategic brand Evenflo. Mr. Zhou is responsible for the overall management of the strategic brand. He brings a wealth of international experience drawn from executive roles from technology, automotive and industrials space at the public, private and PE-sponsored levels in the United States and Asia. Mr. Zhou started his career life in General Motors Corporation. He had been a veteran holding roles in various segments in General Motors Corporation from 1996 to 2005 and in General Electric Corporation from 2005 to 2014 in the USA. After that, he joined Ingersoll Rand as the Global Vice President and CFO for Asia Pacific and India from 2014 to 2018 in Beijing and Shanghai before he took the role of Vice President and CFO for Tesla Greater China from 2018 to 2019 in Beijing. From 2019 to 2023, Mr. Zhou had been Executive Vice President and Chief Financial Officers for two leading global automotive suppliers of Joyson Safety Systems and Horizon Global in the USA. Mr. Zhou joined the Company in 2023 to take up the role of CFO of Evenflo brand from April 2023 to December 2023 and was appointed as the brand's acting CEO in July 2023. Mr. Zhou has broad based finance skills and some unique operating experiences built up through his career life. He has consistently delivered superior operating performance by building cohesive teams that are well integrated with other leadership silos and spurred innovative change management by combining his deep financial, strategic, and operating expertise with an international perspective. Mr. Zhou holds an MBA from Yale University.

COMPANY SECRETARY

Ms. Ho Wing Tsz, Wendy (**何詠紫**), is an Executive Director of Corporate Services of Tricor Services Limited. She is a Fellow of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators). Ms. Ho has over 25 years of work experience in the field of corporate secretarial and regulatory compliance services.

Environmental, Social and Governance Report

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PART 1: EXECUTIVE SUMMARY

ABOUT THIS REPORT

Goodbaby International Holdings Limited (together with its subsidiaries "the Group", "Goodbaby International", "Goodbaby" or "we") has prepared this 2023 Environmental, Social and Governance ("ESG") Report in accordance with the latest version of the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") contained in Appendix C2 to the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited ("HKEX"). As required by the ESG Reporting Guide, this report follows the reporting principles of Materiality, Quantitative and Consistency in its collection of relevant materials, analysis of data, and reviewing of information, and specifies the Reporting Boundary.

For details of the corporate governance practices of the Group, please refer to the Corporate Governance Report section in pages 130 to 148 of the 2023 Annual Report.

REPORTING PERIOD AND SCOPE

This report covers initiatives and achievements relating to the Group's environmental, social and governance practices, and details of their integration into the Group's corporate strategy and risk management, for the period from 1 January 2023 to 31 December 2023 (the "Reporting Period"). Unless otherwise specified, the policies, statements and key performance indicator data given in this report cover the Group's main operational sites in the People's Republic of China (the "PRC"), the Federal Republic of Germany ("Germany"), the United States of America (the "US") and the United Mexican States ("Mexico"), and relate to the Group's activities across research and development ("R&D"), manufacturing, logistics, marketing and distribution, and retailing. These are consistent with the scope of its financial report.

The Group will continue to refine the scope of its environmental, social and governance reporting. This may involve including new topics and expanding the depth of its reporting in the future.

DATA SOURCES AND RELIABILITY ASSURANCE

The data in this report, including information about the Group's policies, initiatives, practices and case studies, comes mainly from the Group's internal systems, statistics, reports and records. The Group takes responsibility for the authenticity, accuracy and completeness of the contents of its 2023 ESG Report.

CONFIRMATION AND APPROVAL

Following confirmation by the Environmental, Social and Governance Committee and approval by the CEO of the Group, this report was approved by the Board on 26 March 2024.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PART 2: ESG STRATEGY AND OVERSIGHT

GROUP OVERVIEW

In pursuit of its mission to "Care for Children, Serve Families and Give Back to Society", Goodbaby International has grown steadily for more than thirty years to become the world-leading juvenile products group that it is today. Its home markets are Germany, the PRC and the US. To date, we have served hundreds of millions of families in over 120 countries and regions across the globe through our work in the design, R&D, manufacture, marketing and sales of children's car seats, strollers, apparel, and other children's consumables. Our innovative design, supply chain management and quality management capabilities, along with our rapid responsiveness to market needs, have won us much recognition among our industry peers and have helped us forge long-term supplier relationships that have further expanded the Group's advantages in terms of economies of scale.

The Group's three strategic brands are CYBEX, gb and Evenflo, each enjoying a leading position in their respective home markets. In addition, the Group offers complementary and influential local brands (such as CBX, HD, ExerSaucer and ROLLYPLAY) to suit the needs of different countries and regions. The Group's product portfolio ranges from high-end brands to everyday household names, and together they cater for multiple facets of the needs of parents around the globe. We continue to make breakthroughs in product safety and functional innovation, as we steadfastly adhere to our guiding principle of "Absolute Safety".

Climate change has brought challenges to many social and economic activities, and it has also become ever more apparent that we need to appropriately acknowledge the entitlement of our future generations to share the earth's resources. Mainstream consensus is that it is essential for society to transit to a development model that reduces reliance on nonrenewable natural resources. Goodbaby International is continuing to explore and take steps to adopt eco-friendly materials, as well as striving for resource and energy efficiency in its operations, in order to deliver on its commitment to sustainable development alongside its suppliers.

We launched over 1,000 new and upgraded product models in 2023, and are proud to have won multiple meaningful awards in areas in which we have established industry leadership. The number of the Group's accumulated patents rose to 11,354, which includes 355 new patents approved in the Reporting Period.

COMPANY CULTURE

Our Vision

To become an outstanding enterprise with global and future-ready competitiveness.

Our Mission

Care for children, serve families, and give back to society.

Our Values

To contribute value to our consumers, enable creators to realize their value, promote innovation and openness, and forge ahead together.

The Group has over 6,000 employees with different cultural backgrounds and from different geographical locations in the PRC, Europe and Americas. Rising above the sense of region, we have built group cohesiveness that bonds all members as a whole of Goodbaby International, and formed the common way that we do things. We constantly strive to achieve exceptional product quality and safety through continuous innovation, in an effort to exceed market expectations. When doing so, we are also committed to reducing environmental impact of our operations, utilizing natural resources responsibly, prioritizing workplace safety, mitigating occupational hazards, seeking employee wellbeing, and forging an inclusive, diverse and energized working culture.

VISION, MISSION, VALUES AND STRATEGY

More information on the Group's vision, mission and values are contained in the paragraphs headed Part 2: ESG Strategy and Oversight – Group Overview and Sustainable Development Strategy in this report. The principal objective of the Group is to create long-term values and returns for all our consumers and shareholders. The Chairman's Statement and Management Discussion and Analysis contained in this Annual Report include discussions and analyses of the performance of the Group and the strategy based upon which the Group generates value over the long term. Besides that, the Group has been increasingly focusing on minimizing the impact on the environment, natural resources and climate change.

ALIGNMENT OF VISION, MISSION, VALUES, STRATEGY WITH CULTURE

All the products we manufacture are made with unwavering focus on quality and safety (with further information in Part 4: Setting High Standards for Quality Assurance in this report).

We strive to innovate and create products that not only meet but exceed our customers' expectations (with further information in Part 3: Design for Value Creation in this report). We are committed to achieving our goals in ways that minimize our impact on the environment, natural resources and climate change wherever possible (with further information in Part 2: ESG Strategy and Oversight – Sustainable Development Strategy and Part 7: Continuous Improvements in Waste and Emissions Controls in this report). We prioritize our employees' occupational health and safety and well-being and strive to create a workplace culture that is supportive, inclusive and empowering (with further information in Part 8: Respecting Employees' Rights and Ensuring Safety in this report).

Despite the challenging operating environment, our Group was able to turn around our financial performance from the previous year and we are proud to say that our commitment to quality and innovation and sustainability development continued to pay off in specific brands such as CYBEX and Evenflo brands, both recording very solid business performance, had continued to occupy leading positions in their relevant markets (with further information in the "Chairman's Statement" in this Annual Report). In 2023, the Group had continued to take part in the drafting and revising of numerous international and national standards in relation to children's products. Our focus on R&D and innovation was recognised with numerous awards (with further information in Part 3: Design for Value Creation in this report).

We are also committed to giving back to the larger community in meaningful ways (with further information in Part 9: Caring for Children, Giving Back to the Community in this report).

The Board is responsible for shaping the Group's corporate culture in alignment with its vision, mission, values and strategic direction. Directors and senior management team lead by example and guide the organization's behaviors, so that our culture effectively supports the Group's business operations and generates strong workforce morale. This is enabling the Group to achieve its set goals and meet stakeholders' expectations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group's culture is reflected across its business operations, workforce and workplace practices and policies. The Board's oversight of the Group's culture based on a wide range of measures (such as providing employees training, implementing various code of conduct and policies (e.g., Code of Business Conduct, Conflict of Interests Policy and Whistleblowing Policy) and review any reports from employees or other whistleblowers, monitoring staff turnover rates and any employees' occupational health and safety incidents, reviewing and monitoring data on gas emissions and wastewater discharge, generation of wastes, efficiency in use of energy, water and raw materials, legal and regulatory compliance and services to the community). Our culture and expected behaviors are clearly communicated to all employees from time to time through implementing of various code of conduct and policies and hosting of departmental meetings and employees town halls. Dedicated forums and reporting channels are available for sharing of ideas and concerns on any misconduct or misalignment identified such as the policies mentioned above and employees meetings and town halls. Taking into account our corporate culture in a range of contexts, the Board considers that the culture and our vision, mission, values and strategy are aligned.

SUSTAINABLE DEVELOPMENT STRATEGY

BOARD STATEMENT

Accountability and Governance System

Goodbaby International recognizes that climate change and a degraded natural environment pose a significant threat to future generations of humankind. The Group's goals of protecting and enabling children are thus in complete alignment with the fight against climate change. The Board is ultimately responsible for the Group's ESG strategies and performance. The Board delegates to an executive director the responsibility for establishing an optimal ESG management framework and implementing a set of sustainable development targets.

The Group's 3-tiered ESG governance structure encompasses the Board of Directors, the Group ESG Committee and the ESG Working Teams. The designated executive director reports to the Board semiannually on relevant progress made, while the Group ESG Committee convenes bi-monthly cross-functional meetings. ESG working teams in each Business Unit (BU), led by the respective CEOs, promote sustainability key performance indicators (KPIs) in daily operations.

Authorized Responsibility of the Group ESG Committee:

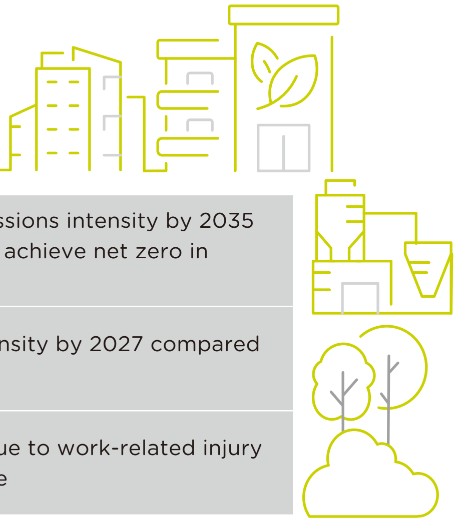
- Track national policy and regulatory requirements, as well as benchmark best practices, and ensure the Group's ESG goals and strategies are in alignment with the requirements or expectations of the Nationally Determined Contributions (NDCs) in the areas where the Group operates;
- Identify ESG related risks and opportunities while establishing and maintaining risk management and internal control systems;
- Identify ESG resource and capability gaps, establish ESG approaches, strategies, priorities and KPIs, adequately analyze the principles and processes adopted, and review related progress made;
- Fulfill and comply with the regulatory requirements for ESG reporting.

Targets and Pathway

Taking into consideration stakeholders' major concerns, Goodbaby International has established a five-pillar sustainability framework. The five pillars are energy conservation and environmental protection, creativity and innovation, leading product quality, caring and empowering for employees, and connecting with local communities. In 2023, the Group ESG Committee, with the support of the ESG working teams at BU level, evaluated and set a number of ESG targets and primary pathways over the near, medium and long term, and began to implement them across the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Goodbaby International's ESG Targets



Environment	60%	60% reduction in Scope 1 and 2 GHG emissions intensity by 2035 compared with the 2020 baseline, and to achieve net zero in owned operations by 2050
Material	40%	40% reduction in packaging material intensity by 2027 compared with the 2021 baseline
Society	60%	60% reduction in loss of working hours due to work-related injury by 2027 compared with the 2022 baseline

Primary pathway to achieve the Group's emissions reduction target:

Target	Pathways
Reduce GHG Emissions Intensity	Energy Efficiency Improvement • Optimize operational management • Apply energy-efficient technologies • Upgrade equipment for better energy efficiency
	Renewable Energy Utilization • Gradually introduce rooftop Distributed Photovoltaics (DPV) systems for own productions • Explore alternative renewable electricity supply

Climate-related risks and opportunities

Different climate change scenarios will impact the Group's business operations in different ways. To determine an effective risk mitigation plan and identify business opportunities, the Group has referenced two climate scenarios developed by the Intergovernmental Panel on Climate Change (IPCC), namely RCP (representative concentration pathway) 2.6 and RCP 8.5, as part of the process of analysing climate-related risks and opportunities in the regions where it operates. During the Reporting Period, we utilized the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) to identify, analyze, manage, and disclose risks and opportunities associated with climate change. Relevant work was carried out and completed for the Group's manufacturing sites in the PRC, and the results are presented in the tables below.

In making a comprehensive assessment, both external and internal factors have been considered. These include local policies, government planning, historical records of extreme weather events, the nature of the China manufacturing operations, and strategic planning. One output of this exercise was a list of specific climate-related risks and opportunities, which provides us with the necessary groundwork to address these areas in our daily operations.

In alignment with the Group's internal risk management and control practices, three time periods have been defined for qualitative analysis in determining the level of impact of climate change risks on the Group, namely short-term (2–3 years), mid-term (3–5 years), and long-term (5-10 years and beyond).

Impact level of climate risk

High:

risk of a significant negative impact on the Group's business activities, requiring constant monitoring. Major adjustments to current strategies may be necessary.

Medium:

risk of a certain level of negative impact on the Group's business activities, which may require some optimization of its existing business/operations and response plans.

Low:

risk of a limited negative impact on the Group's business activities, which can be kept under control with current strategies and measures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Goodbaby International Climate-Related Risk Identification

Physical Risk (under RCP 8.5)

It is anticipated that extreme weather events under RCP 8.5 will increase in frequency, severity and impact area, and are likely to present risks in many aspects of our business. The Group reviewed its existing response measures following the identification and confirmation processes, and developed mitigation measures as appropriate.

Type of Climate-Related Risk		Potential Impact	Time Period	Impact Level	Mitigation Measure
Acute	Typhoons, Rainfall and Flooding	• Road, bridge, ports and airports suspension and other infrastructure damage may lead to: — interrupt or delay supplies and logistics services, and experience cost volatility, — damage facilities including plants, warehouses and data centers, leading to production suspension, inventory loss, data loss, etc., — cause risk on product quality due to a combination of longer-than-expected lead times and impairment of facilities and equipment, — threaten employee commute and safety.	Short – mid term	Medium	• Create an emergency plan for supply delays, price fluctuations, quality inconsistency and logistics interruptions. • Establish alternative suppliers and a transition plan to support delivery continuity. • Install water pumps and generators for emergency response. *All the above-mentioned measures have been acted upon to mitigate risks. Nevertheless, the Group has a reasonable reliance on the continuity of municipal sewage discharge service and power supply.*
	Extreme Heat	• Suppliers may face power shortages and equipment malfunction which may lead to low productivity and delivery failure. • Natural disasters could drive up suppliers' costs and affect supply and demand dynamics, causing price fluctuations. • Equipment malfunction and damage that could affect production schedule. • Lower productivity and increased occupational health risks, and challenges for recruitment.	Short term	Medium	• Evaluate supplier climate risk resilience, including location, transportation routes and disaster recovery. • Create alternative supplier pool to mitigate single source risk. • Install ample air-conditioners and/or ventilation fans on shopfloors, and to evaluate flexible working hours.

Type of Climate-Related Risk		Potential Impact	Time Period	Impact Level	Mitigation Measure
Chronic	Sea level rise	• Infrastructure in coastal areas (e.g. ports, roads and railways) may be impacted, resulting in supply chain and logistics interruptions, increases in relevant costs and company property damage.	Long term	Low	Procurement, Logistic and Warehousing conduct regular evaluation and monitoring for suppliers in coastal areas, and create an alternative shipping/ response plan.

Transition Risk (under RCP 2.6)

Policy-, technology- and market-driven changes are likely to increase under the RCP 2.6 scenario. The Group reviewed its phased mitigation measures following the risk identification and confirmation processes, and invested additional resources in policy analysis, technology R&D, and consumer behavior tracking. It also laid groundwork for undertaking a product carbon footprint study and a Group-wide carbon inventory.

Type of Climate-Related Risk		Potential Impact	Time Period	Impact Level	Mitigation Measures
Policy	Carbon tax policy and carbon credit	• National DNCs of China and mandatory disclosure requirements of the European Union (EU) promote the acceleration of the carbon trading system, and industry-specific GHG emission standards and carbon credits are expected to be formalized. The EU has already announced that a carbon tax will be levied on certain carbon intensive products. • Carbon credits once announced could lead to additional costs for excessive emissions, which could be offset by proactive emission abatement measures.	Medium term	Low – Medium	• Monitor and track policy changes, and evaluate their impact on business, particularly on the Group's carbon abatement goals and path. Gradually expand sourcing alternative energy and usage. • Assess the prospects, feasibility and costs of alternative eco-friendly materials. Conduct carbon footprint analysis on key products.
	GHG emission pricing – carbon pricing	• Policies enabling carbon pricing may increase the Group's operating expenses, while aggressive abatement initiatives will require unbudgeted capital expenditure.	Medium term	Medium	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Type of Climate-Related Risk		Potential Impact	Time Period	Impact Level	Mitigation Measures
Technology	Low-carbon products and services to replace existing products and services	• The move to Low-carbon products may involve adopting eco-friendly materials, low-carbon production and transportation methods, and product end-of-life recycling. These initiatives require R&D investment, introduction of new technology, and process improvement or product transformation.	Medium term	Low	• Monitor market trends in low-carbon materials and evaluate performance and cost efficiency of alternative materials.
	Cost of transition to low emission and low-carbon technology	• Technology for recycling plastics and materials to replace the use of virgin plastics	Medium – Long term	Low	
Market	New preferences driven by rising consumer consciousness of the environment	• New standards driven by consumer demand for Low-carbon products, especially the mounting expectations on product end-of-life recycling	Medium term	Low	• Conduct market research to closely track market and consumption trends. • Conduct carbon footprint analysis of key products to initiate sustainable product design.

Goodbaby International Climate-Related Opportunity Identification

Type of Climate-Related Opportunity	Description of Opportunities
Resource Efficiency Opportunity	In the context of tightening regulatory requirements for environmental protection and sustainable development, the Group has the opportunity to: • Reduce costs and environmental impact via optimal resource efficiency initiatives, such as manufacturing process improvement, waste reduction and recycling. • Extend the lifecycle of its products through innovative design to maximize uses of natural resources.. • Implement the packaging principle to reduce material usage and promote recycling. • Enlarge vertical warehousing to maximize storage space, with reduced ground floor areas. • Apply the green building concept in warehouses, e.g. by introducing energy-efficient lighting systems and ventilation systems to reduce energy consumption.
Energy Source Opportunity	National policy promoting clean and renewable energy has offered the Group a choice to introduce alternative sources of energy. We built photovoltaic solar panels in our Kunshan sites and are in the process of reviewing the potential for expansion.
Product and Market Opportunity	As demand for sustainable eco-friendly products rises, the Group will further assess the economies of low-carbon products, which potentially could help create new market share by attracting consumers for whom eco-friendly products are important. We will: • Continue to appraise the feasibility of various eco-friendly materials. • Track the application requirements of recycled materials in international markets, and prepare for investment in the manufacturing capability required by processing such materials.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT AND DETERMINATION

The identification and disclosure of material ESG topics is an important principle of this report. As an industry-leading company, we are fully aware of the impact that our business decisions may have on various stakeholders[1], including consumers, government and regulatory bodies, investors, suppliers, distributors, and employees. We are committed to engaging with our stakeholders in constructive dialogues via our regular operating activities and/or dedicated channels, in order to better understand their views and expectations. We welcome and duly solicit their comments and feedback.

In 2023, we conducted interviews on sustainable development issues with some key corporate customers, representing more than half the business value of the Blue Chip business unit. Major observations include:

1) There was a clear focus on reducing product life-cycle impact through recycling and reusing of products. It was also suggested that the Group should take a further step up in its overall reduction of GHG emissions starting from product design process, while at the same time continuing to reinforce its product safety and comfort standards.

2) Transition to renewable energy was highly encouraged, while there was attention placed to the level of energy consumption and emissions in the manufacturing process.

IDENTIFICATION OF MATERIAL TOPICS

In 2023, we consolidated the Group's ESG material topics, especially under the Environmental category. This process was undertaken after communication with our stakeholders and with reference to other sources, including (1) the material topics for the manufacturing and retailing sectors under the Sustainability Accounting Standards Board Standards; (2) the requirements set forth by relevant regulatory bodies; (3) media reports on ESG-related topics in the industry; (4) suggestions by and requests from customers; (5) major events experienced by different business units and functional departments of the Group during the Reporting Period; and (6) the results of the Group's materiality assessment for 2022.

This involved combining overlapping topics and removing low relevance topics to better reflect the challenges the Group is facing. The refreshed ESG material topics comprises seven environmental, thirteen social and four governance topics encompassing risks and opportunities.

1 Please refer to Appendix III for types of engagement with stakeholders.

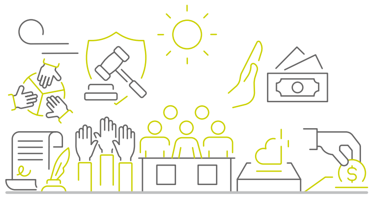
Materiality Topics

Environmental

1. GHG emissions
2. Product carbon footprint
3. Circular economy
4. Renewable energy
5. Energy efficiency
6. Waste management
7. Packaging materials

Social

1. Compensation and welfare
2. Employee training and development
3. Work intensity and health
4. Equal opportunity
5. Production safety
6. Research innovation
7. Product quality and safety
8. Customer service
9. Privacy and data security
10. Responsible marketing
11. Supply chain labor standards
12. Supply chain business ethics
13. Community relations



Governance

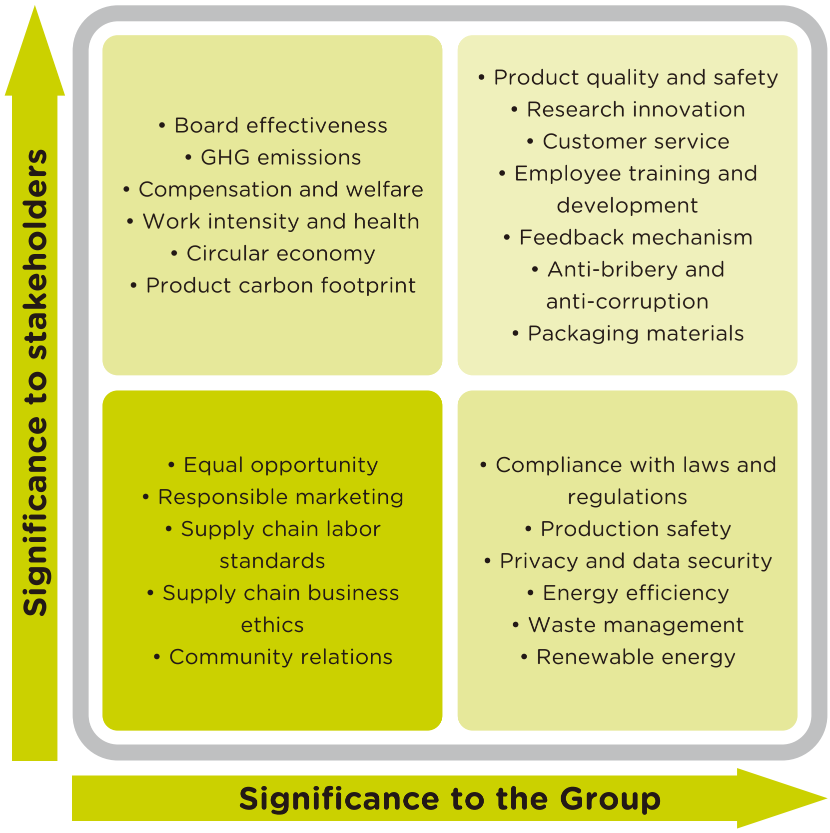
1. Board effectiveness
2. Compliance with laws and regulations
3. Feedback mechanism
4. Anti-bribery and anti-corruption

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PRIORITY EVALUATION

In accordance with the relevant requirements of Appendix C2 to the Main Board Listing Rules of the HKEX, the Group drew up a materiality matrix by amalgamating the expectations of stakeholders and the Group's own business priorities. The material topics with high priority include Product quality and safety, Research innovation, Customer service, Feedback mechanism, Anti-bribery and anti-corruption, Employee training and development, and Packaging materials.

Goodbaby International Materiality Matrix



The Group ESG Committee reported to the Group's CEO on the materiality assessment results shown in the chart, especially the seven topics considered as having higher priority by both stakeholders and the Group. These ESG material topics, having been approved by the Board, are presented in this report with in-depth discussion in their respective sections. Of the seven topics, five are streamlined under the Group's five-pillar sustainability framework and are addressed in its daily business operations; the other two governance topics (Feedback mechanism and Anti-bribery and anti-corruption) were presented to the Board and are discussed in the rest of this chapter.

Energy Conservation and Environmental Protection	Creativity and Innovation	Leading Product Quality	Caring and Empowering for Employees	Connecting with Local Communities
3 GOOD HEALTH AND WELL-BEING	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	3 GOOD HEALTH AND WELL-BEING 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	8 DECENT WORK AND ECONOMIC GROWTH	3 GOOD HEALTH AND WELL-BEING
• Packaging materials	• Research innovation	• Product quality and safety • Customer service	• Employee training and development	

The Group ESG Committee reported to the Board regarding the high expectations of shareholders on the two governance category topics of Feedback mechanism and Anti-bribery and anti-corruption.

GOVERNANCE EFFECTIVENESS AND RISK CONTROL

The Group's governance structure is set up to ensure that all its business activities strictly comply with applicable legal and regulatory requirements. It does this by enforcing internal policies and processes and optimizing the governance framework. A regular oversight system is in place to assess the effectiveness of risk management.

As a listed company in Hong Kong, we strictly observe the requirements stipulated by the HKEX, such as those relating to connected transactions and inside information. We have formulated appropriate internal policies and review mechanisms, and provided training for directors and employees in relevant positions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BOARD DIVERSITY AND INDEPENDENCE

The Board of Directors has three Committees: the Audit Committee, the Remuneration Committee, and the Nomination Committee[2]. Each operates with an authorized scope of responsibility and provides professional insights in support of the Board's decision-making process. The Board believes diversity is a critical element in high quality decision-making, and has codified this belief in the Board Member Diversity Policy. This was last revised in August 2022 following the recommendation of the Nomination Committee. Candidate nominations and director appointments are primarily merit-based, and factors that include but are not limited to, professional qualifications, skill-sets, knowledge, and industry and regional experience are taken into consideration. As of 31 December 2023, the Board consisted of 11 directors. The percentages of independent non-executive directors and of female directors were 36% and 18% respectively.

For detailed information on the Group's director selection and appointment processes, as well as directors' terms and director attendance at meetings, please refer to the Corporate Governance section of the Group's Annual Report.

RISK FRAMEWORK AND ACCOUNTABILITY

The Board takes ultimate responsibility for the Group's risk management and internal controls, and it reviews the effectiveness of them from time to time. The Audit Committee is tasked with general risk oversight. An annual risk assessment, which involves the identification of emerging risks and a year-on-year comparative analysis of recurring risks, is led by the Senior Vice President, Corporate Governance and Internal Audit, who reports the findings to the Audit Committee in March every year. The executive directors together with the management team are charged with allocating sufficient resources and adopting appropriate methodology to identify risks and develop mitigation and response plans.

IDENTIFIED RISK AND IMPACT

In 2023, the Group identified four risk categories, namely strategic risk, operational risk, financial risk and legal/compliance risk. Under these, nine granular risk areas were plotted: organizational efficiency, human resources, macro-economic and geopolitical impact, strategic planning, product design quality, supply chain management, marketing and sales, competitiveness and exchange rate volatility. We stayed vigilant in our efforts to manage identified risks and their likely impacts, and developed response plans accordingly in our business activities.

[2] For details on Committees' work, please reference Corporate Governance Chapter in the Group's Annual Report.

BUSINESS ETHICS AND CORPORATE CONDUCT

The Group's governance structure is set up to ensure all its business activities strictly comply with applicable laws and regulations. We have established and implemented a series of internal policies and processes for this purpose, and measure their effectiveness. We are committed to uncompromising standards of business ethics and to conducting ourselves with integrity and fairness as we strive to achieve business growth and commercial success.

A number of Group policies have been developed and implemented to shape our corporate behavior. These include the *Code of Business Conduct*, the *Conflict of Interests Policy and Whistleblowing Policy* and the *Supplier Business Conduct*. Relevant annual training is also delivered group-wide. In 2023, we produced compliance training videos in English and Chinese covering subjects such as code of conduct, conflict of interest, anti-corruption, whistleblowing and connected transactions; they were made available on the internal online training platforms, which are easily accessible for employees.

In 2023, the Group offered online and in-person compliance training, in which a total of more than 2,000 staff participated. Compliance-themed dialogues were also hosted by the CEOs of each BU in staff town-halls, management meetings and union activities.

CODE OF BUSINESS CONDUCT

In all its business activities and manufacturing operations, the Group follows the principle of integrity and acts in alignment with its *Code of Business Conduct*. We abide by applicable anti-trust laws and regulations in the areas where we operate, and act responsibly with transparency and fairness in our engagement with suppliers and customers and in our market competition practices.

Goodbaby International Code of Business Conduct Framework

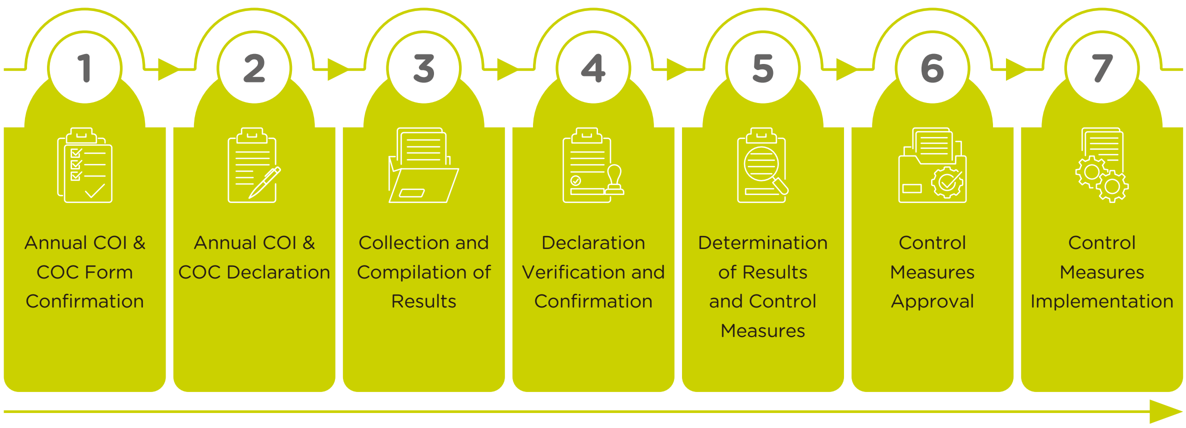
- Compliance with laws and ethics
- Mutual respect, equality and anti-discrimination
- Fair competition
- Gifts, entertainment and other hospitality
- Protection and proper use of company assets
- Record keeping and confidentiality
- Insider information and share trading
- Conflict of interests
- Corporate opportunity first
- Environment, health and safety
- External communication and use of social media
- Complaints and whistleblowing

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONFLICT OF INTEREST

On the basis of groundwork undertaken in our previous two reporting periods, the Group has continued to strengthen its conflict of interest (COI) declaration by introducing a unified triggering event for suppliers' submission from 2023. All qualified suppliers of the Group world-wide are now required to make a COI declaration at the entry, annual review and bid submission stages. We believe this update will further enhance the effectiveness of the Group's COI management.

Flowchart of Declaration on Conflict of Interests under Code of Business Conduct



DATA CONFIDENTIALITY AND CYBER SECURITY

We are seeing a continuing acceleration in the number of internet applications, as well as work-from-home arrangements becoming more popular post-COVID. These developments make it even more important for the Group to ensure the safety and security of its information and data assets. Data security is essential for protecting the Group's intellectual property, its stakeholder interests, and, most importantly, its compliance obligations and business continuity needs. We have put in place a group-wide policy, the *Group Information Safety and Security Policy*, and have introduced relevant processes that include data access authorization, audit requirements on user instructions and system safety processes. In 2023, internal and external audits were completed on IT general controls, application controls, net disks and public disks. The audit findings along with corrective actions taken, such as policy revisions, data categorization, data cleansing etc., were reported to the Board of Directors.

The Group initiated an information security management system (ISMS) that covers not only technical/operational solutions but also cyber risk management, cyber incident reporting and cyber governance. Once the ISMS is implemented in all BUs, the Group will be able to address different cyber security issues in areas such as operational technology security, application security, network security and internet of things security.

We are fully aware of the importance of preventing cyber security failures caused by human negligence, and have organized training and phishing tests to remind our staff to remain vigilant and stay sensitive to cyber scams. The overall failure rate of phishing tests across the Group from 2020 to 2023 has dropped substantially.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ANTI-CORRUPTION AND WHISTLEBLOWING POLICY

In the Reporting Period, we engaged an external compliance legal professional to conduct anti-corruption training for all directors. The training looked at recent cases made public by the Securities and Futures Commission (SFC) and the HKEX, and was aimed at deepening the awareness of the directors regarding their duty to fight against corruption.

In November 2023, the Group offered a 2-hour annual training on anti-corruption for staff in management and other core positions. During the year, over 3,000 employees of the Group completed anti-corruption related trainings through online and offline formats. The updated anti-corruption materials leveraged case studies that fleshed out types of misconduct in specific business contexts, with the aim of guiding and shaping desired corporate behavior and conduct. In the Reporting Period, we did not have any corruption-related litigation cases.

Applicable international conventions and national laws

United Nations Convention Against Corruption
Gesetz Zur Bekämpfung Der Korruption
Foreign Corrupt Practices Act
Holding Foreign Companies Accountable Act

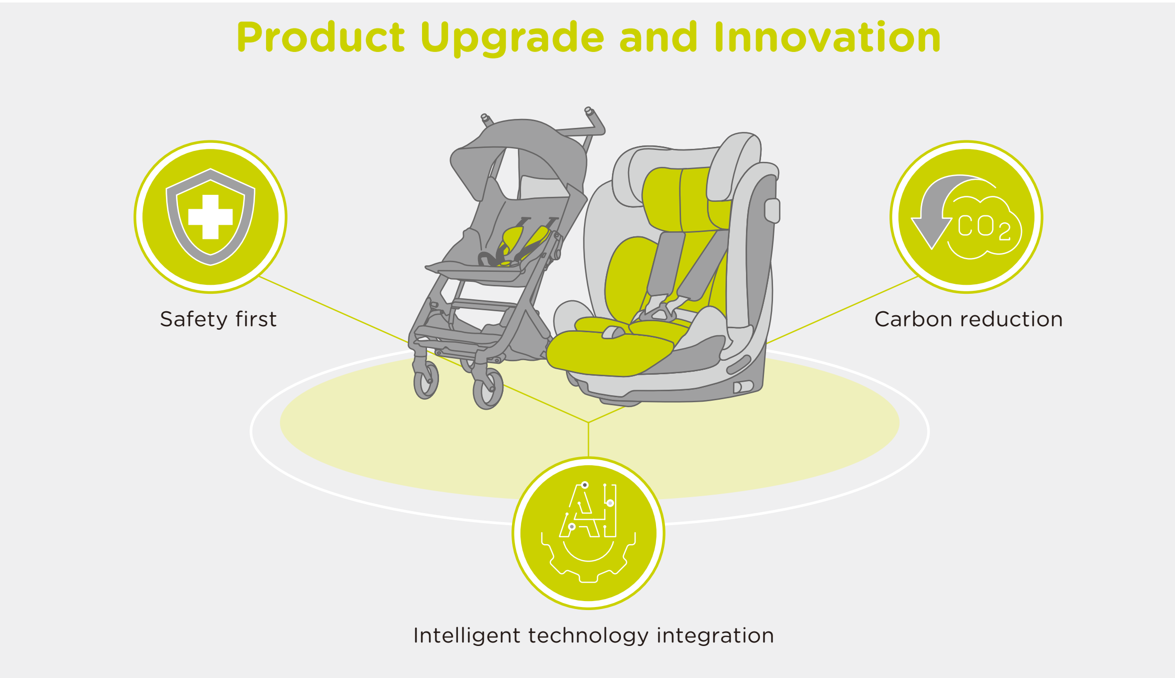
The Group's publicly available whistleblowing channels include hotlines and locally dedicated email address for our operations in the PRC, the Americas and European countries. The CEOs of each BU and the general managers of the manufacturing plants reinforced worker awareness of the whistleblowing policy, particularly the protections available for whistleblowers, to encourage members of the workforce to stay alert for suspected behavior involving direct or indirect fraud, bribery, corruption, or that is in violation of material company policies. All reports deemed material are reported to the Chair of the Audit Committee of the Board, who is charged with leading further investigations and handling any cases that arise. In the Reporting Period, the Group received a number of reports which are undergoing investigation.

The Group has been advocating for its suppliers and partners to set up similar anti-corruption principles and mechanisms, and has provided guidance on their reporting duty in its *Supplier Guiding Principles Policy*. The Group also requires its suppliers to sign a letter of undertaking to confirm their understanding of our standard business practices, including their whistleblowing obligations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PART 3: DESIGN FOR VALUE CREATION

At Goodbaby International, the pursuit of an exceptional quality and safety performance is grounded on innovation in our products and service. This is bolstered collectively by the company's systems, investments and corporate culture. In 2023, we continued to upgrade our classic product series while also launching new product lines. All our products conformed with the three guiding principles of our design and development efforts: *Safety First, Intelligent Technology Integration*, and *Carbon Reduction*.



INNOVATION ANCHORED IN DESIGN

LIFE CYCLE CARBON REDUCTION ENABLED BY DESIGN

We have begun to adopt a lifecycle carbon impact perspective at the product design stage, which involves assessments of materials selection, production, logistics and packaging efficiency, and product use and disposal. This perspective also requires business acumen regarding future trends, supply stability and our ability to manage our own capacity, based on which we can proceed to identify optimal solutions for trimming down the number of components, utilizing eco-friendly materials, balancing weight and needed strength, enhancing energy efficiency, and improving ease of disassembly for recycling.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Sustainable Design Principles

In addition to satisfying safety and functional requirements, the Group follows sustainable design principles:

- **Avoid excessive design and combine functions**
  Less need for maintenance and maximize material usage
- **Adopt modular design and reduce component count**
  less need for maintenance, ease of disassembly for recycling
- **Reduce weight**
  less energy consumption in transportation and use
- **Use mono material**
  greater ease of materials recovery and recycling
- **Use eco-friendly dyes and fixatives**
  fewer chemical hazards
- **Adopt recycled materials**
  resource maximization, bio-diversity friendly and circular economy enabling
- **Extend product functional lifetime**
  resource maximization, less waste
- **Reduce packaging weight and adopt biodegradable and recycled material**
  increase resource efficiency, reduce plastic, reduce energy consumption in transportation

The Group has undertaken various feasibility studies on alternative materials across comparatively higher volume supplies to replace virgin plastic, metal, virgin cotton and fossil-based fabrics, and non-sustainable packaging. The results were instrumental in helping us reach preliminary conclusions on the adoption of recycled plastic for non-stress components such as cup holders and cover plates on car seats and strollers, the adoption of bio-degradable labels where possible, cartons made from recycled cardboard, and the gradual adoption of environmentally friendly fabrics for durables and children's clothing as appropriate. Aluminum alloy, used largely as a structural material for car seats and strollers, is probably one of the most widely recycled metals, therefore, we focus on the ease of product dismantling for recycle at the product end of life stage. We also seek to source aluminum alloy from energy-efficient manufacturers.

Sustainable Materials

The Green & Gentle sub-brand of Evenflo features an eco-conscious fabric made from recycled PET bottles. The brand has continued to attract sizeable orders for its NextGen Booster, which also features zero screws and metal fasteners and is fully recyclable. The Green & Gentle fabric has also been used for the Revolve360 rotational car seat, as well as for a crib mattress.

The gb brand took groundbreaking steps in adopting eco-conscious fabric (made from recycled coffee grounds) for the gb 2023 autumn and winter children's wear range, and degradable plastics for packagings of its "新生舒润"和"多都果趣" skincare products..

The PRIAM and MIOS series strollers of CYBEX also use fabrics contain recycled material.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Product Functional Lifetime Extension

Through a structural change, the Revolve 360 Rotational Car Seat now serves children from newborn to 12 years, a feature much appreciated by the US market. This extension of the age coverage means a longer product lifetime, and better value for money for parents.

Both the CYBEX and gb brands offer long-lasting multi-functional children's chairs. The CYBEX Lemo 2 can be used from 6 months onwards up to adult. gb's 8-position multi-scenario chair can be used for dining and study, and is suitable for children from 6 months to 12 years.

Optimization of Logistics Efficiency

We have been looking for ways to develop more sustainable packaging configurations for items we produce. In the Reporting Period, we achieved an increase of over 100 units per shipping container by using a flatter fold for one Evenflo stroller, and a new component configuration inside the carton. We also introduced molded pulp to replace plastic foam in one Evenflo car seat packaging. This more eco-friendly solution helped reduce the size of the packaging and improved utilization efficiency of shipping containers.

Certifying Products

Evenflo has developed a plan to certify its products for sustainability. Currently its car seat lines (including Everykid and another two car seats) and its crib mattress are Green Guard Gold certified, and eight of its safety gates are Sustainable Forestry Initiative (SFI) certified.

The gb brand prioritizes the adoption of safer and more eco-friendly materials, and has achieved certified sustainability at source for 21 body cleansing and care products, 32 nursing and feeding products and 10 tissue and diaper products. As of 31 December 2023, gb had a total of 43 body cleansing and care products, 208 nursing and feeding products and 65 tissue and diaper products that were certified for green and eco-friendly according to PRC national or industry standards.

Critical ingredients of gb children's cleansing and care products are assessed for their environmental impact. Ingredients such as grease and surfactants are certified by the Roundtable on Sustainable Palm Oil (RSPO).

The gb brand adopts material certified by the Forest Stewardship Council (FSC) for its color print packaging boxes.

SAFETY ENHANCED BY INTELLIGENT TECHNOLOGY

The Group is introducing intelligent technologies to its market-leading safety seats and strollers as a major initiative in its pursue of excellence in product performance. The Group's Science and Technology Innovation Center, founded in 2020, is tasked with applying artificial intelligence (AI), internet of things (IOT) and 5G, or combinations of them, to upscale our existing products and create new products that address latent needs, taking the parenting experience to another level.

As a leading player in child safety seats, we constantly challenge ourselves and our safety standards, which remain the most stringent among all our peers. Following the launch of the world's first integrated full-body airbag safety seat Anoris T i-Size, the Group developed an intelligent safety seat which added improved safety assurance by addressing the risk of manual installation errors and offering auto alerts reporting the misuse of the safety seatbelt.

The automotive industry is rapidly transitioning to electricity- and intelligence-powered mobility. The relative weighted importance of safety assessment reports in China market on child car seats has been on the rise, and the Group has taken this opportunity to engage with car manufacturers. We formally entered an agreement on our patented child intelligent safety seat solution with Beijing Automotive Group Co. Ltd., and development programs for new energy vehicle companies are also underway.

A tailor-made child safety seat, which contains 4 invention patents and several utility model patens, is developed for ArcFox Kaola, an electric car designed for parents.

This car seat also won a Red Dot Design Award.

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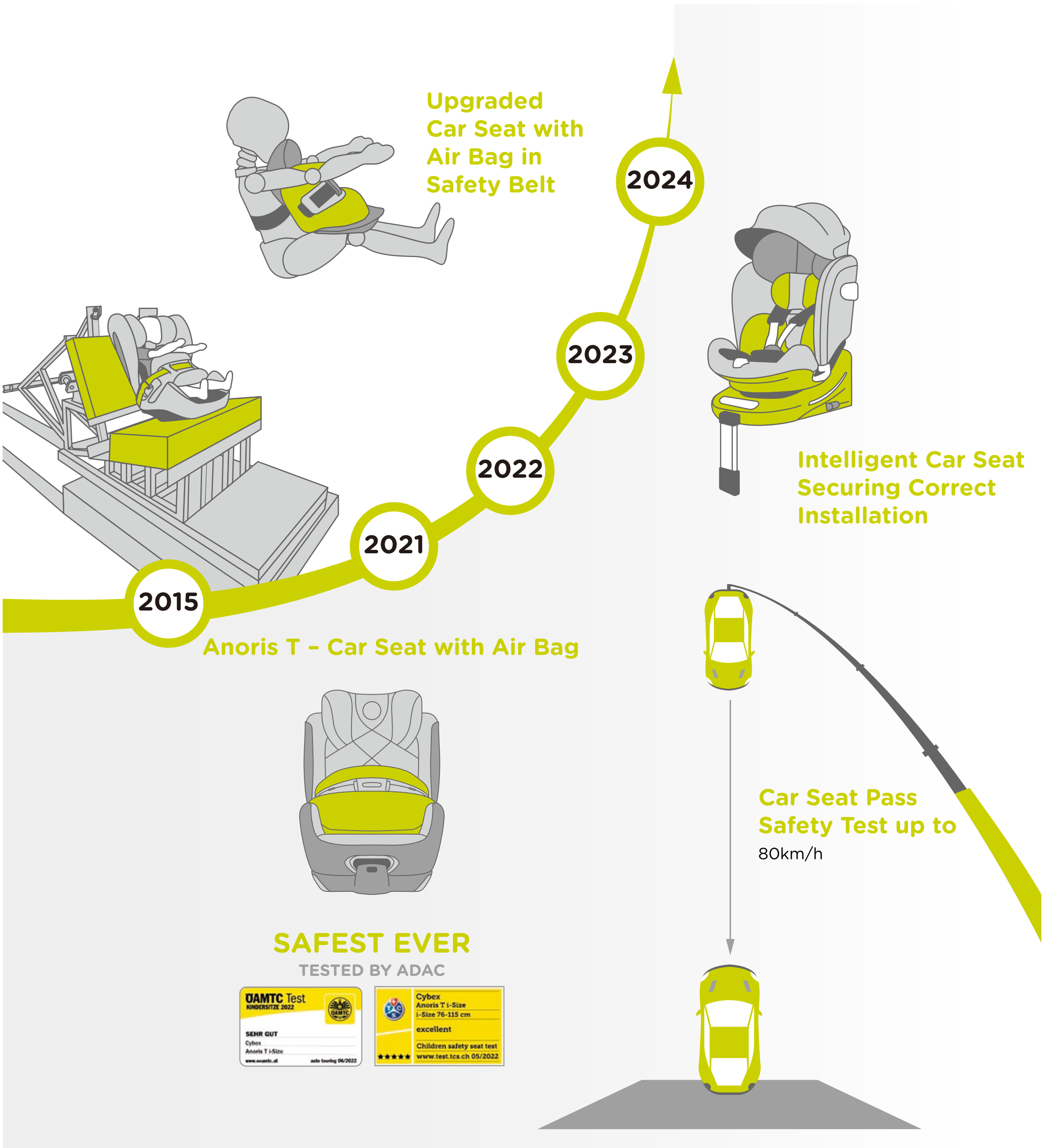
A Path towards Improving Child Seat Safety



The rotation feature of Evenflo's awarded car seat

The rotation feature allows a caregiver to access the car seat sideways-on, making it much easier to place the child in the seat before it is locked in the forward- or rear-facing position. This feature has become increasingly popular in the market in recent years. In 2023, Evenflo launched its Revolve Extend and Revolve Slim models, benefiting a wider age range of children and families with small cars respectively. Evenflo received the Juvenile Products Manufacturers Association (JPMA)'s 2023 CHILD RESTRAINT SYSTEM OF THE YEAR award for the Evenflo Gold Revolve360™ Extend All-in-One Rotational Car Seat with Green & Gentle™ Fabric.

In the Reporting Period, the National Highway Traffic Safety Administration under the US Department of Transportation announced an amended Federal Motor Vehicle Safety Standard (FMVSS No. 213a) relating to the side impact testing standard for child restraint systems, amongst others. The Group is updating its internal sled testing standards accordingly, and has installed a state-of-the-art crash sled in line with the new guidelines.

Goodbaby International is constantly looking for new and better ways to care for children. We have introduced intelligent technology to develop products for physical response monitoring, as well as smart nursing and companion products, reducing children's exposure to safety risks in their daily lives. Our newly developed smart mattress enables a caregiver to track a child's body temperature, heart rate and breathing patterns via a smartphone app. Our recently launched nursing bed helps parents manage their babies by integrating functions of bed, rocking chair and swing.

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We entered into a partnership arrangement with a Swiss company to develop a baby cry translator. The project aims to achieve robust performance and market competitiveness while remaining sensitive to the information and privacy protection requirements of different legal regimes.

Safety Standards of gb baby cleansing and care products

The gb baby cleansing and care products abides by a combination of PRC national standards and EU quality requirements. Product features include:

- Use of sulfate-free natural cleansing agents from coconut oil and corn extract
- Free from the 10 listed pesticide residues
- Tested for 6 heavy metals, 19 plasticizers, 26 allergens and 63 hormones
- "Little Golden Shield" logo for child cosmetics

We use fieldwork to gauge potential safety needs from specific groups of users. We redesigned the wheels and seats of our strollers to improve their shock absorbing performance, and introduced a reverse option for stroller users to better protect the seated child from strong wind or excessive UV rays.

Our car seats are manufactured according to stringent safety standards, and have a proven track record of independent safety testing.

In 2023, the Group's premium brand CYBEX was a safety test winner in respective categories for Cloud T i-Size, Solution T i-Fix and Solution G i-Fix, in tests conducted by the leading consumer testing organization Stiftung Warentest and the Allgemeiner Deutscher Automobil-Club. Continued external recognition has further fortified the brand's global leadership featuring "technology and lifestyle". CYBEX products also won a Red Dot Design Award and five German Design Awards, pushing the number of awards for product quality and design excellence received since the brand's inception to over 500.

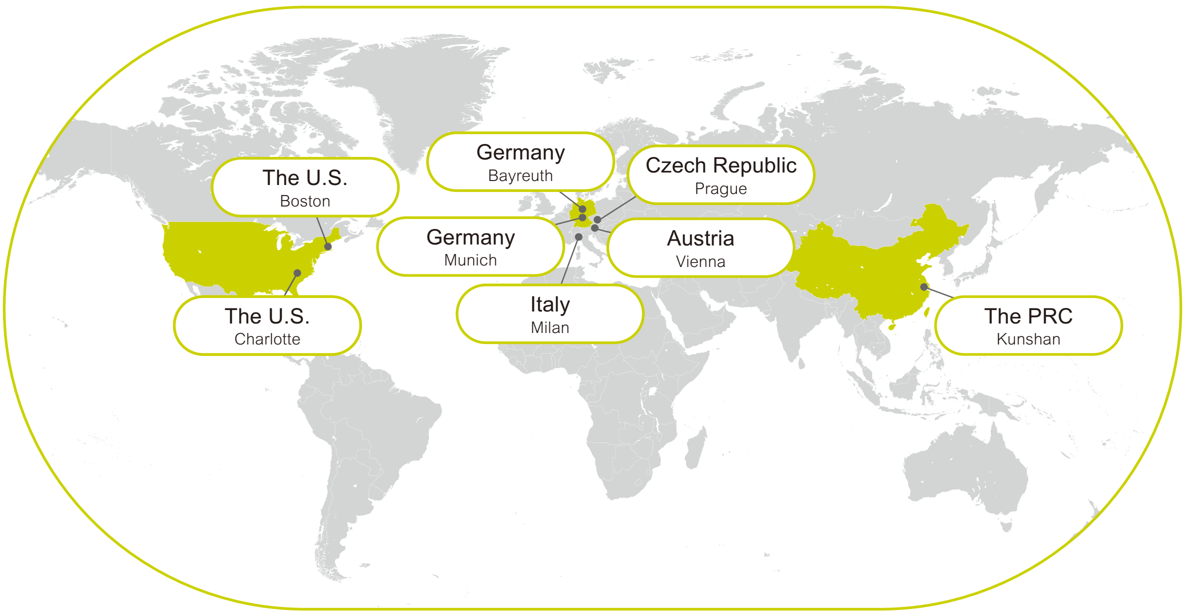
gb's Unair car seat won the prestigious iF Design Award, a testimony for its consistent investment in production innovation. gb products also won a number of other international awards, including two French GPDP Design Awards, a Korean K-design Design Award and a DFA Asia's Most Influential Design Award.

INNOVATION ASSURED BY CULTURE AND SYSTEM

CAPITALIZE ON OPEN-MINDED INNOVATION

The Group has over 600 engineers and researchers working in eight R&D and design centers in the PRC, the US and some European countries. Using open development methods, the team has led innovations in the application of technology to meet latent needs, utilizing unique insights into market trends and user scenarios.

R&D and Design Centers of Goodbaby International Globally



Different R&D and design teams of the Group have their own unique strengths in terms of structural design, industrial design, and commercial design, etc., that complement each other. The China R&D and design team focuses on structural design, ensuring various robust standards are duly met, while also introducing new concepts and solutions. Other R&D and design centers draw insights from consumer preferences and market trends to generate industrial design and business cases.

Our "Integrated Product Development Model" allows consumers to voluntarily get involved in our prototype testing at the design stage through various channels. Their feedback is imported into our database, which contains sector knowledge, market intelligence and industry experience (such as peer recall deficiencies). The database serves as an essential reference for our product design decision-making process. In 2023, our research team started to include generative AI, such as ChatGPT and Midjourney, in its creative toolbox.

In 2023, we once again travelled to meet peers and customers in person at international trade shows following the lifting of travel bans after three years of the COVID pandemic. Two-thirds of nearly 20 patented designs/solutions presented received preliminary cooperation intentions during the Kind+Jugend trade fair held in Cologne, Germany in September 2023.

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We strictly abide by the applicable laws and regulations of the countries and jurisdictions where we operate, including the *Patent Law*, the *Trademark Law* and the *Copyright Law* in the PRC; the *Patent Act*, the *Utility Model Act*, and the *Design Act* in Germany; and the *Copyright Act*, the *Trademark Act* and the *Defend Trade Secrets Act* in the US. We also follow a series of internal policies, including our *Policy on Intellectual Property Management*, *Mechanism on Avoiding Intellectual Property Risks*, *Control Procedures for the Implementation, Licensing and Transfer of Intellectual Properties*, and *Policy on Enterprise Trademark Management*, to ensure we maintain our own creativity while respecting that of others. During the Reporting Period, the Group filed 394 patent applications and was granted 355 patents, bringing its cumulative total of patent applications to 13,053. Of these, the numbers of its invention patents applied for and granted (the latter may include applications made in the previous year.) were 124 and 138 respectively.

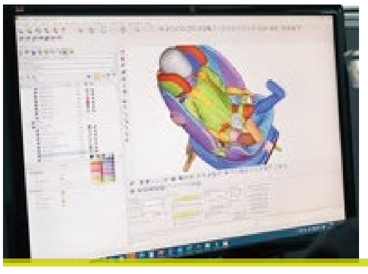
The Group has created a new position to establish and oversee a group-wide patent management system and ensure the creation of synergies across its global patent and trademark strategy, to protect its own patents and mitigate infringement risk. The Group will continue to invest in patent training for the R&D team in order to help them effectively identify potential high-value patents arising from their creative work, and produce robust cases for the patent application documentation.

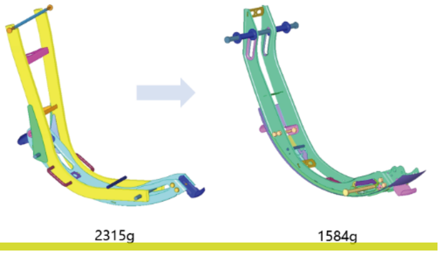
INVEST FOR POSITIVE RETURN

In 2023, the Group recorded total R&D investment of approximately HK$380 million. This accounted for around 4.8% of its revenue.

Our steady investment in R&D resources and talents has brought the Group lasting patronage from customers across its various brands, as well as reinforcing its leadership position in the market. In 2023, the Group offered about 1,000 upgraded innovative products, representing around 30% of the Group's revenue.

Driven by market requirements and underpinned by a company culture that emphasizes innovation, our R&D team thinks outside the box to explore ways for enhancing the efficiency of its material utilization and reducing weight. Computer-aided engineering (CAE) software has been introduced to analyze and measure "excessive material" to reduce both wastage and weight, while not compromising on performance. We previously used CAE simulation in developing the Revolve 360 rotational car seat in 2021, and in the Reporting Period, we used the software in developing a infant car seat under 3kg for a Blue Chip customer, amongst many other projects.





PART 4: SETTING HIGH STANDARDS FOR QUALITY ASSURANCE

As a practitioner in the juvenile products industry that is committed to quality, Goodbaby International aims to deliver "Absolute Safety" and "Utmost Experience" in all its products and services. The Group has always embraced a "Quality First" philosophy and the quality management principle of "Zero Defect, Zero Tolerance". This is reflected in its adherence to the highest safety and quality standards in the industry across its entire operations, including product design, sourcing practices, production process, assurance testing, packaging and transportation.

STANDARDS-DEFINED QUALITY

Drawing on its extensive industry experience and expertise, Goodbaby International plays an important role in the formulation of international and national standards for juvenile products. The Group is constantly looking to bolster the robustness of its own enterprise standards, drawing on R&D breakthroughs that address growing market expectations for safer and smarter next-generation products.

PARTICIPATION IN STANDARD-SETTING

Experts from the Group participate in the development of international, national, and industry standards for multiple categories of children's products. In particular, our experts are a member of various industry standards committees for children's car safety seats in the PRC, the European Union, the US and Japan, and administers a number of standards-setting projects.

In the Reporting Period, the Group's experts continued to hold the rotating Chairmanship of the ISO/TC310 Technical Committee for Child Care Articles, and to act as the convener for two of its four working groups (General Safety Requirements and Activity and Protective Products). Five general standards, namely Safety Philosophy, Mechanical Hazard, Chemical Hazard, Thermal Hazard and Product Information, were formulated and released by the General Safety Requirements working group in the year, and the International Standard for Baby Walkers was finalized for review by the Activity and Protective Products.

Establishing international standards for childcare products can enhance quality and safety consistency across the industry globally, while also effectively raise standards and product quality in general in developing and less-developed countries and regions, benefiting more child-rearing families.

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Standards Committees of which the Group's experts is a member	ISO/TC 310 Rotating Chairman
	ISO/TC 22 Expert Panel
	SAC/TC 253 Vice Chairman
	SAC/TC 463 Committee member
	SAC/TC 480 Committee member
	CPSCF15 Committee member
	CEN/TC252 Committee member
	CPSA Committee member
	SAC/TC141/SC5 Committee member
	SAC/TC305 Committee member

The Group's experts contribute to the development of standards for child care products in the PRC

In the PRC, Goodbaby International has been an important contributor and practitioner in the field of standards development for juvenile products over the years. The Group's experts contributed to the development of a number of new standards published in 2023:

National Standards:	*Juvenile Products – General Requirements for Bath Washing Supplies*
	Juvenile Products – General Requirements for Tableware and Feeding Utensils
	Juvenile Products – General Requirements for Soothing Articles Bearing Children
	Juvenile Products – General Requirements for Protection Products for Family Domestic Use
	Determination of Formamide in Toy Materials – High Performance Liquid Chromatography-Mass Spectrometry
	Portable Aviation Child Restraint Devices
Industry Standard:	*Child Seats – Test Methods for Stability, Strength and Durability*

In 2023, the Group's experts took part in the drafting and revision of 45 international and national standards, 13 of which have been published. In total, the Group's experts participated in the drafting and revision of 285 standards, including 18 international standards, 147 national standards (excluding those of the PRC), and 56 national standards of the PRC. The Group's experts also led or participated in developing 35 industry, regional and association standards in the PRC in 2023.

IMPLEMENTING STRINGENT ENTERPRISE STANDARDS

The Group has set up a set of rigorous enterprise standards for durable goods. These encompass over 80 product standards and over 70 standards for components. Many of its key indicators, such as those for collision protection, dynamic durability, handlebar strength, material composition, and hazardous substance tests, far exceed internationally accepted industry specifications.

The Goodbaby Standards Committee is responsible for the integrity of the Group's enterprise standards. It administers new releases and updates in accordance with our *Product and Components Standards Management Policy*. The Committee tracks global accident events and recall incidents, and ensures that the enterprise standards keep the Group at the forefront of safety, reliability and user experience in the fields of general techniques, products, procurement and manufacturing processes.

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During the Reporting Period, the Group incorporated seven new standards relating to intelligent and electronic functions into its enterprise standard system. Meanwhile, it enhanced its controls over a series of polycyclic aromatic hydrocarbons (PAHs), hazardous flame retardants and volatile organic compounds (VOCs), to ensure the ongoing minimization of chemical hazards.

Standards-based Smart Product Development

The Group's quality engineers are involved in new products from the concept development stage, so that they can fully understand the functional performance of in-design-products, particularly those integrated with intelligent technology, and conduct relevant risk assessments.

In cases where there are no regulatory requirements relating to new products being developed, the Group seeks to establish its own enterprise standards. In 2023, the Group introduced seven standards for smart electronic products, namely smart child occupant restraint systems for motor vehicles, soothing mattress frames, electronic power accessories for wagon, baby cry translators, electric rocking cribs, pet strollers and in-vehicle pets cages. Of these, the enterprise standards for intelligent child occupant restraint systems for motor vehicles and in-vehicle pets cages had already been published via the online platform of the State Administration of Market Regulation of the PRC.

Demanding standards for baby strollers by Goodbaby International

Categories	Main Indexes	International Standards*	Enterprise Standards
Physical Indicators	Handlebar Strength (Durability)	10,000 cycles with a load of 15kg+5kg; 3,300 cycles with a load of 22kg+5kg	10,000 cycles with a load of 15kg+5kg; durability of 4,000 cycles with a load of 22kg+5kg
	Irregular Surface Test (Durability)	72,000 cycles with a load of 15kg+5kg; 24,000 cycles with a load of 22kg+5kg	72,000 cycles with a load of 15kg+5kg; 30,000 cycles with a load of 22kg+5kg
Chemicals Control	Total number of controlled types	65 hazardous substances	98 hazardous substances
	PAH – Naphthalene	No official limit; up to 1ppm by GS Mark	Up to 0.5ppm
	PAH – Phenanthrene, Pyrene, Fluorene, Anthracene	No official limit; up to 5ppm total by GS Mark and Oeko-Tex	Up to 0.2ppm for each type
	Phthalates	Up to 1,000ppm	Up to 50ppm
Simulated use scenario	Outside walking test	N/A	Test for 200km-500km, including up-and-down stairs test

* Reference to the European standard amendments on pushchairs and prams (EN1888-1:2018+A1:2022)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SYSTEM-ENABLED RELIABILITY

Backed by its self-owned industry-leading testing capabilities and assured by third-party audits, the Group implements stringent controls based on its quality policies and procedures that cover the entire production process from product design to procurement, production, packaging, transportation and customer service. The Group responds in a timely manner to market demand to validate risk prevention capabilities and system resilience, to deliver consistently high-quality products.

QUALITY SYSTEM

The Group has five production bases, located in Kunshan, Ningbo and Pingxiang in the PRC, Piqua in the US, and Tijuana in Mexico. They are principally engaged in the production of durable juvenile goods including child car safety seats, strollers, electric ride-ons for children, cribs, and highchairs. Our manufacturing operations follow GBT 19580 Excellent Performance Evaluation Criteria, while all three PRC production bases are ISO 9001 certified, and our two production bases in the Americas operate according to a set of quality management systems based on ISO standards and principles.

Goodbaby International adopts a systematic risk management perspective to safeguard product quality and reliability. The Group analyzes failure modes, causes and consequences throughout the product development process, from the concept, structural and exterior design phases to the functional development phases, so that potential problems can be identified and improvement measures taken before mass production begins. Each new product shall be tested by 137 checkpoints through prototyping, validation and pilot production phases. During the Reporting Period, the Group further integrated its production systems in the PRC and the Americas. It initiated monthly audits and regular defect analysis for each quality module, including error prevention, first article inspection, self and mutual inspection, final inspection, controlled rework, red and yellow boxes, to identify potential areas for improvement.

During the year, we reviewed our traceability procedures in the PRC market and made the call to digitize all product-related information, including data relating to production batches, suppliers and testing results. This major enhancement in data management and analysis is providing us with early warning of issues, improving our source traceability, identifying accountability, raising our anti-counterfeiting and anti-tampering capacity, and reinforcing our overall recall system.

Identify potential opportunities for product quality improvements for problems identified:

In incoming inventory inspection	During production	During product testing	By customer complaint analysis	From supplier audits

In 2023, the Group conducted internal audits and offered relevant training in response to new or updated laws, regulations and standards issued in the major markets where it operates. We also aligned our policies and procedures accordingly, and where applicable invested resources to ensure compliance.

Key regulatory requirements and specifications published or updated during 2023

North American Market	SOR/2023-101 Carriages and strollers regulations FMVSS No.213 Federal motor vehicle safety standard: Child Restraint Systems
European Market	EN 12790-1:2023, applicable to reclined cradles for children up to when they start trying to sit up EN 12790-2:2023, applicable to reclined cradles for children up to when they start to stand up EN 1466:2023, Child use and care articles – Carry cots and stands – Safety requirements and test
China Market	Interim Measures for Supervision and Administration of Toys, Child Use and Care Articles GB/T 38880-2020/XG1-202, Technical Specification for Masks for Children Measures for Supervision and Administration of Toothpaste

The PRC

A quality system that includes approximately 900 management policies and 9,000 operating procedures are implemented in our production bases in the PRC. It is governed by documents such as the *Quality Manual, Product Safety Management System (including Recall System), Product Liability Management System, Product Experience and Evaluation Management System, Corrective and Preventive Management Procedures, Document Control Procedures, Record Control Procedures, Non-conforming Products Control Procedures* and *Data Analysis Management Procedures.* These ensure production reliability and consistency, as well as offering root cause identification of non-conforming and sub-standard products so that corrective and preventive actions can be taken.

In 2023, our production bases in the PRC established a *Management Procedure for Fixtures and Gauges* to guide the safe use of fixtures and gauges. We also revised some of our quality assurance policies, including the *Management Measures for Software Development and Implementations* and the *Waste Disposal Policy*.

Dedicated quality specialists have been appointed at each factory in our China production bases to enforce the implementation of these standards and procedures. Areas for improving the control process are evaluated on an ongoing basis, and internal audits on the effectiveness of the quality system are performed annually. Training for employees on quality procedures and new and/or revised regulatory requirements is carefully developed to strengthen the quality awareness of the workforce in their daily activities.

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Risk Identification and Error Prevention Mechanism

New Product risk assessment:
Safety Design Function (SDF) spot check, chemical feasibility risk assessment, manual quality assessment of prototypes, feasibility review of drawings and review based on past experience
Error-proofing equipment and processes in production:
CCD inspection device, prototype of monitoring image error-proofing device, force measurement device

Digital Transformation of the PRC Manufacturing Bases

- Test Report Database: Testing standards and requirements are incorporated into the system, which automatically generates work orders for manual or ETS testing, and also generates test results and process records in the form of reports for filing.
- Quality Defect Gallery: Mobile tools are used to visually record anomalies and an alarm is triggered once defects reach a set limit; this generates a report that is filed in the system.
- Manufacturing Execution System (MES): This digital system helps automate processes and hence improve customer satisfaction.

- Alarm Management System (AMS): This has been dovetailed into the Eight Discipline (8D) Project Management tools, covering the steps of reporting, review and analysis before a case is closed.

In the Reporting Period, our China manufacturing bases again delivered a satisfactory performance, with customer inspection on finished goods maintained at above the 99% pass rate.

The Americas

We continued to pursue the three 'robust' quality objectives in the Group's manufacturing bases in the Americas, namely *robust design, robust process,* and *robust process controls*. With risk mitigation as one of its core strategic priorities, the BU follows a set of internal policies such as the *Quality Manual* and the *Code of Quality Requirements* to ensure the effectiveness of its quality system and close gaps identified in risk monitoring through continuous improvements.

During the Reporting Period, Evenflo completed the bulk of its Enterprise Resource Planning (ERP) upgrade, including the digitization of control processes and database sharing in testing results and non-conformance reporting. The upgrade is expected to significantly improve the efficiency of the BU's quality management in terms of data collection, analysis and reporting.

The Group strictly complies with and has fully met relevant applicable laws, regulations and standards in the Americas, including the *U.S. Consumer Product Safety Improvement Act, American Society for Testing and Materials, the U.S. Car Seat Standard FMVSS213, Safety Standard for the Handheld Infant Carriers F2050, the Canadian Carriages and Strollers Regulations SOR/2016-167, Canadian Safety Regulation for Expansion Gates and Expandable Enclosures SOR/2016-179,* and *Toy Regulations SOR/2022-17* under the *Canada Consumer Product Safety Act*. The Group has reviewed relevant product lines in accordance with the Canadian Child Stroller Standard SOR/2023-101, released in 2023, and provided training accordingly to staff in quality management positions and the shop-floor production team.

TESTING CAPABILITY

Goodbaby International's enterprise standards and quality system are underpinned by its well-equipped testing laboratories. Our laboratories are one of the few institutions able to perform testing on juvenile products that fulfil the national standards of the PRC, the European Union, the US and Japan.

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Accreditation of The Group's Testing Laboratories

- The US Consumer Product Safety Commission
- ECE R44 child safety seat testing and certification
- The Allgemeiner Deutscher Automobil-Club (First in China)
- China National Accreditation Service for Conformity Assessment (CNAS)
- China Metrology Accreditation Service (CMA)
- Designated Laboratory for the China Compulsory Certification (CCC)
- China Center for Automotive Products (CCAP)
- Partner laboratory for the mandatory product quality certification with the China Quality Certification Center (CQC) and the Certification Center of the Light Industry Council (CCLC)

With over 1,000 advanced testing equipments, the Group's testing laboratories have testing capabilities that span eight major categories, namely car crash simulation, auto parts testing, chemical testing, mechanical and physical testing, fabric testing, environmental testing, material reliability testing, and microbial testing. The scope of our testing capacity covers over 2,500 toxic and hazardous substances and over 500 environmental indexes for water, gas, noise and soil. Our laboratories are also the only dynamic laboratories for strollers that can perform an array of tests in environments with temperatures of between –20°C and +70°C.

In response to growing market expectations, the Group has been building up its technical capability and talent pool in intelligent technology in terms of testing and quality control. In 2023, our laboratories are certified by CNAS and the CMA. In addition, the Group developed its own enterprise standards for intelligent child safety seats, which included tests for vibration, cyclic damp heat, over-voltage performance and reverse voltage performance.

The laboratories fully support inspection and testing for prototyping, trial production and mass production. Before its launch, every new product undergoes hundreds of tests in four categories, namely the Safety, Reliability and Quality Requirements and the 3F (Fit Feel Finish). We also perform a Structure Integrity Test (SIT), a Confirmation of Production (COP) and a Product Maturity Test during the development stage, along with routine inspections on incoming and outgoing goods.

Four Test Categories offered by the laboratories of Goodbaby International

Safety Test	Reliability Test	Quality Requirements Test	3F (Fit, Feel, Finish) Test
Meet international or national standards	Product durability and reliability	Tests the specifications of every product	Unboxing user experience, including touch, appearance and smell

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The Group is equipped with world-class automobiles collision simulation testing technology. In 2023, in pursuit of its 'Ultimate Safety' goal, the Group took testing from the laboratory to outdoor by carrying out a vertical high-speed collision test for child car seats. The test involved dropping the testing vehicle from 30 meters high at simulated speeds of up to 80km/h.

Vertical high-speed collision test using real vehicle

In this test, we placed two crash dummies inside the target vehicle and attached high-precision sensors to major body part of each dummy to obtain specific damage response data. The test included a data acquisition system that integrated multiple high-speed cameras to capture data on seat and dummy damage, and images of other details along the test. Based on indexes reflecting impacts on the heads, necks, chests and abdomens of the dummies after the test, it was determined that the target child seat exceeded the requirements of the existing international standard ECE R29 (based on 50km/h test conditions) at simulated speeds of up to 80km/h.

QUALITY EMBEDDED IN CORPORATE CULTURE

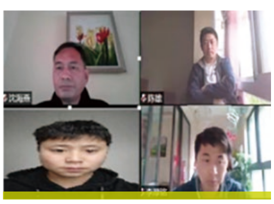
The Group's quality culture is built around the principles of *Quality First, Zero Defect*, and *Zero Tolerance*, and requires each and every person to care about and take appropriate actions to achieve better quality. To ensure we are agile in our ability to adapt, we monitor changes in standards and technology and track trends in distribution channels and consumer needs in major markets around the world. As part of this process, we tailor and deliver trainings to our employees and suppliers. The outcome is a quality culture that is constantly being maintained and strengthened over time.

QUALITY PERFORMANCE INCENTIVES

The Group has established an internal mechanism to raise quality awareness and guide behavior at our China manufacturing sites. Apart from implementing staff quality training and organizing quality-themed competitions, we have most importantly linked individual quality performance to the annual appraisal and promotion assessment process. Staff with outstanding performance are awarded through channels such as the Quality Progress Award and the Best Quality Improvement Award. Our quality management system builds in accountability, and includes KPIs for all levels and positions.

TRAINING FOR CONTINUOUS IMPROVEMENT

The Group incorporates a quality engineering and quality control (QE&QC) module in the induction curriculum it provides for new employees. This is designed to help them quickly immerse themselves in Goodbaby International's longstanding quality culture and deliver a high quality performance in their daily work.



In September 2023, The Group conducted a 1.5-hour training session for the quality management team on the latest developments in juvenile product standards, along with an analysis of recent recall cases in the market. The aim was to facilitate the adoption of updates in product design and quality control in a timely manner.

The Group conducts a training program for internal auditors and senior quality control professionals on the ISO 9001 Quality Management System. In 2023, 58 employees participated in this program, and 37 of these have become certified internal auditors for ISO 9001.

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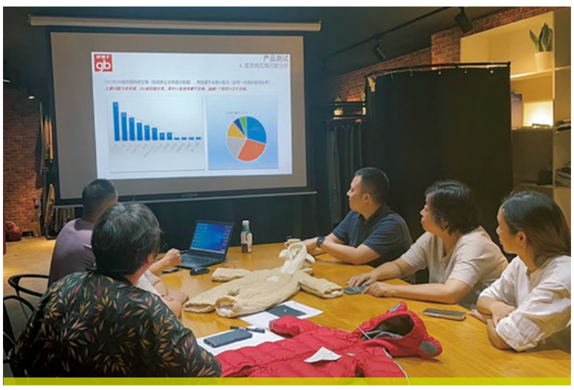
Our China manufacturing bases conducted training on the Eight Disciplines (8D) of Problem Solving in an effort to produce consistent problem analysis reports. The training emphasized how science-based tools can help reduce the occurrence of repetitive problems and enhance holistic quality management. By the end of 2023, more than 20 employees at our PRC sites had completed the training and gained 8D certification.

Suppliers are critical partners for building a robust quality system and providing high-quality products. The Group's gb brand not only cultivates a unique quality culture internally, it also maintains regular communications with its OEM suppliers to ensure their alignments with its quality management mindset and competencies. In 2023, the gb brand conducted a total of 32 on-site and online training sessions for its suppliers of durable goods and apparel products.

In the Americas, the Group has built a quality team with positions covering Product Integrity, Supplier Quality, Americas Production Quality, and Asia Production Quality. The team is provided with general and specialty training, and is tasked with helping everyone on the shop floor understand the quality controls needed for routine work. The Group also provides customized training for future leaders, especially quality managers, covering subjects such as leadership development and effective management techniques. The training results are incorporated into the Personal Development System of the employees concerned.

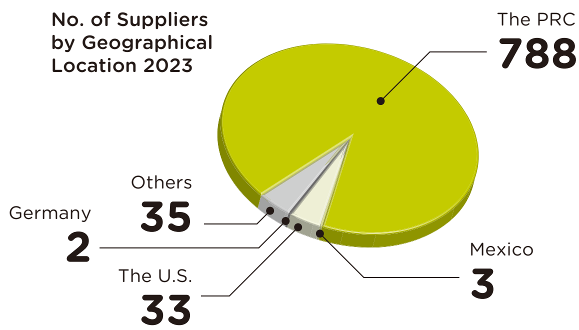


PART 5 PARTNERSHIPS FOR SUPPLY RESILIENCE

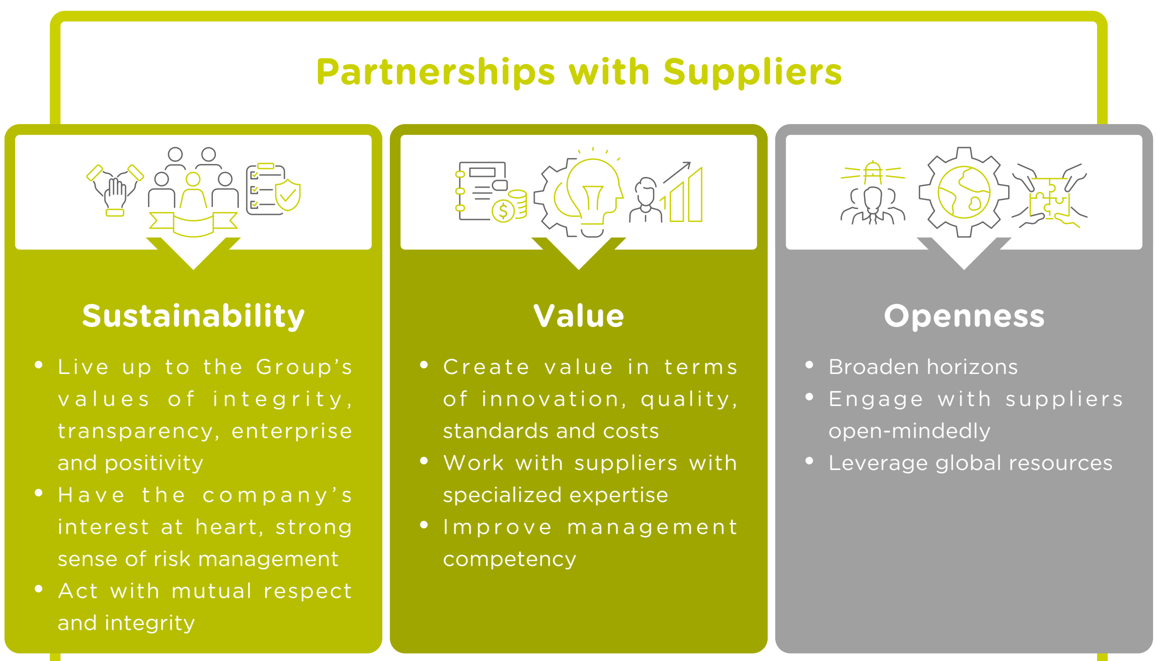
Goodbaby International manages a network made up of a wide range of suppliers that effectively complement the Group's business model and financial profile. We see suppliers as integral parts of the Group's quality system and we seek to work with qualified and reputable suppliers for mutual growth and supply chain stability, in order to help us maintain the industry-leading position of our brands and Blue Chip customers in their respective segments.

In the Reporting Period, the Group maintained business relationships with 861 materials and parts suppliers, 196 OEM suppliers and 1,611 non-production suppliers.[1] Materials and parts that we source for production in the PRC and the Americas included metals, plastics, fabrics, chemicals, and packaging materials; OEM procurement related mainly to the parenting and child care products sold by the gb brand in the PRC, primarily in the four categories of durables, consumables, apparel, and cotton fabrics; non-production suppliers provided IT, marketing and consulting services.

GEOGRAPHICAL LOCATIONS OF SUPPLIERS



SUPPLY CHAIN PRINCIPLES



[1] This report only analyzes and reports on production materials suppliers and OEM suppliers. During the Reporting Period, 157 new suppliers were added in the above two categories.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group works symbiotically with its suppliers to tackle market challenges and improve product and service quality, as well as to mitigate impacts on the environment across the supply chain.

Despite the subsidence of the COVID-19 pandemic in early 2023, weak demand interrupted our procurement and inventory planning significantly, putting the stability of our supplier system to the test. Thanks to the decisive moves to consolidate its global manufacturing capacity, the Group was able to optimize its production efficiency for committed orders, and expand the scope in product categories offering more competitive solutions to downstream customers. We also worked closely and openly with key suppliers in order-tracking and inventory planning to minimize fluctuations in contract prices and reduce the volatility of purchasing cycles. These partnership initiatives helped us safeguard our supply capability and strengthen the resilience of our supply chain.

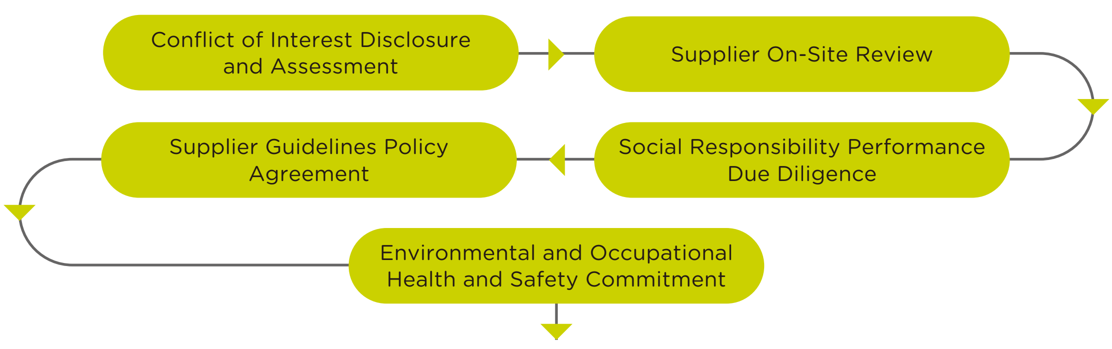
SCREENING AND ASSESSMENT

The integration of our PRC and Americas manufacturing capacities has also led to a further convergence of the Group's supplier management systems, boosting our sourcing and logistic efficiency.

In our production bases in the PRC, we select, screen and evaluate all materials and components suppliers based on criteria such as their quality control, production capacity, price competitiveness, delivery capacity and readiness to cooperate. This process is undertaken in accordance with our *Procurement Principles Procedures, New Supplier Introduction Procedures, Supplier Management Control Procedures, Procurement Control Procedures,* and *Supplier Elimination Process*. During the Reporting Period, we also developed *a Product Pricing and Contract Management Policy* that is further regulating our procurement activities. Our supplier quality improvement management platform has performed well since its commissioning in 2022, helping us communicate effectively with suppliers and enhancing product traceability.

In 2023, our manufacturing bases in the PRC made phased progress in dividing suppliers by category, and confirmed 31 materials and components suppliers as Direct Key Suppliers, with a total of 66 of their major upstream suppliers becoming our Critical Indirect Suppliers. We maintain 'Zero Defects' as a quality target for our materials and components suppliers. To date, 61% of them have signed or renewed Quality Agreements that entail commitments to zero defects and controls over hazardous substances.

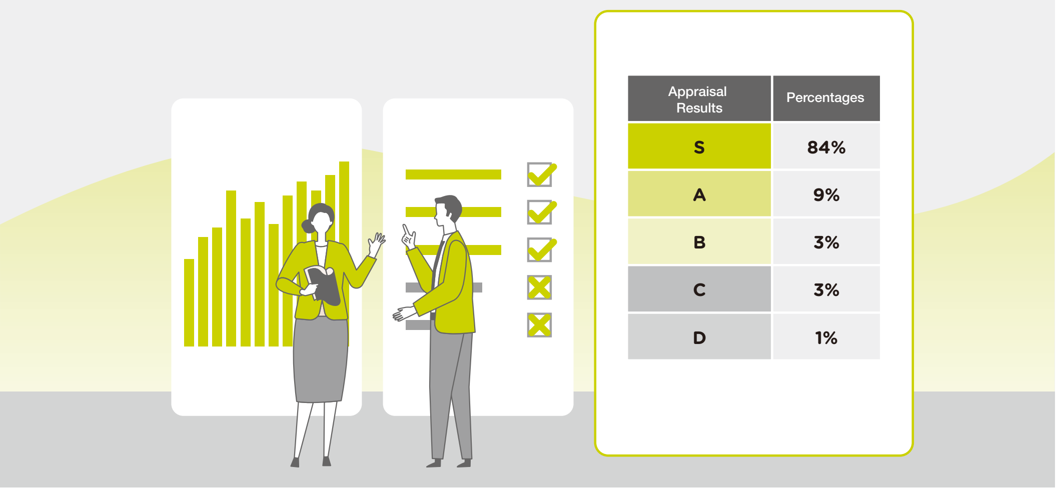
Standard procedures for supplier introduction:



The procurement department of the Group's PRC manufacturing bases conducts monthly quality assessments on the performance of materials and components suppliers. Covering five dimensions, they represent an important basis for the annual suppliers performance assessment in February each year. We communicate the assessment results with the quality assurance and logistics functions of under-performing Suppliers and Request Corrective Action (SCAR), then revisit the rating based on their post-SCAR performances.

Five Dimensions of the Monthly Quality Assessment of Suppliers:

Incoming Conformity Rate, Failure Causing Product Downtime, Failure Not Causing Production Downtime, Willingness to Cooperate, Responsiveness on Claim Confirmation



Appraisal Results	Percentages
S	84%
A	9%
B	3%
C	3%
D	1%

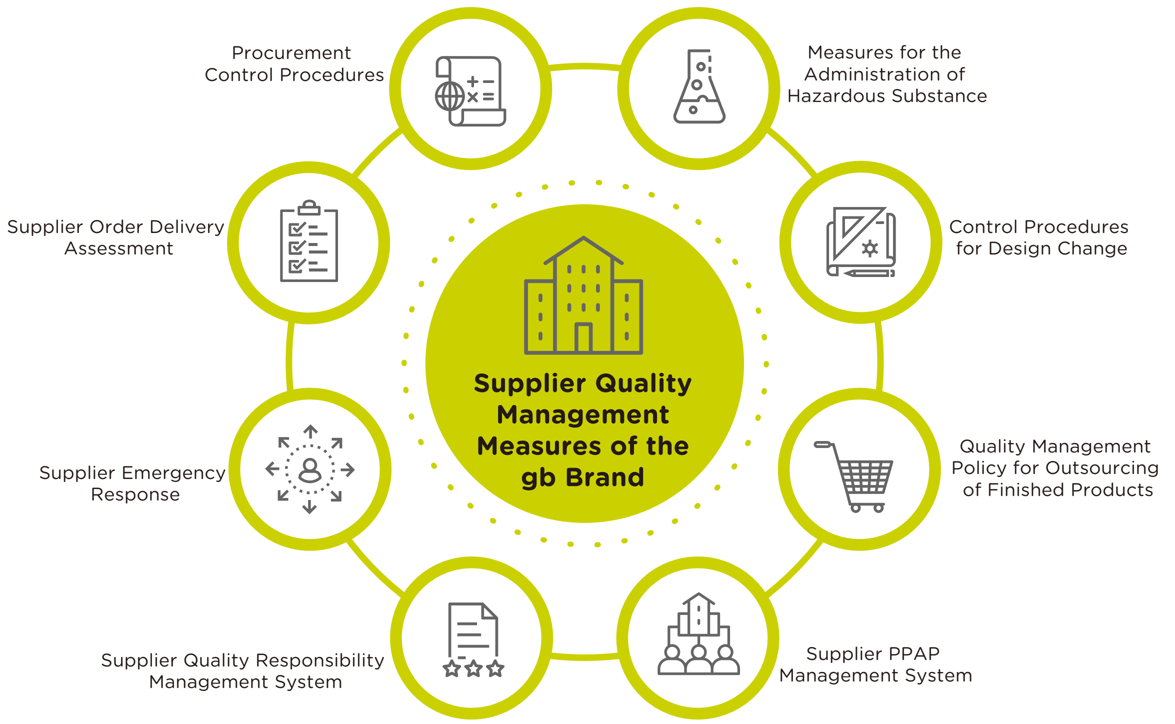
Dimensions of Annual Supplier Assessment:

Batch Failure Rate, On-time Delivery Rate, Service Satisfaction, Price Fairness, Quality Incidents, and Defective Parts Per Million

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2023, in its attempts to implement precision management, the Group also began to divide its suppliers into several categories, deploying specific strategies for each category. For example, when considering fabric suppliers, we not only considered factors such as quality, price, and delivery, but also prioritized their capabilities in product development. This is giving us the flexibility to structure a more integrated collaboration model as we see fit.

For example, the gb brand adheres to the Group's principle of setting industry-leading standards in its partnership with OEM suppliers. The brand has strategically brought forward quality controls at suppliers' premises, including quality inspection and assurance. With support from the Group, the brand's Quality Committee oversees procurement activities, and is particularly involved in setting quality objectives and conducting performance appraisals. It follows a set of internal policies that include the *Product Supplier Management Procedures, Purchase Order Management Procedures, Procurement Control Process, Control Procedures for Product Control*, and *Product Pricing and Contract Management Policy*. In response to issues identified from reviews and audit findings, the brand updated the *Purchase Order Management Procedures* to redefine types of cooperation, elimination triggering events, and quarterly appraisals items. The BU also updated its organizational structure and reporting processes in the *Product Supplier Management Procedures* and *Procurement Control Process*.



TRAINING AND DEVELOPMENT

As an important move to constantly hone and improve our expertise and skills, we carry out various internal training programs targeting the procurement function. We also communicate the Group's pursuit and requirements on high standards and high quality to our suppliers through daily exchanges and regular trainings so that a common set of value and models are also shared by them.

In 2023, our training programs for all employees in the procurement function included training on *Practicing Manufacturing Supply Chain Management, Digital Procurement Technology* and *Applications*, and *Digital Transformation of Logistics and Supply Chain for Manufacturing Enterprises*. Training programs for materials and components suppliers were delivered online and in person, and covered topics such as Electronic Quotation Platform Guidelines. The annual OEM suppliers' training program run by the gb brand focused on industry standards updates, testing and technical requirements and quality management.

OEM supplier training by the gb brand in 2023

Regulations and Standards	Requirements and test methods of National Standard for Infant Feeding Bottles and Teats (GB38995-2020)
	Interpretation of the National Standard for Down Garments (GB/T14272-2021)
	Training on National Standard for Toys (GB 6675.1-2014)
	Training on Standard for Phase Change Thermoregulation Textile Products for Infants and Children (T/CTES 1045-2021)
	Instruction of national standard for consumer product (GB5296.1-2012)
Quality Assurance	Training on quality requirements for new product development of washing products
	Precautions about the standard of the new wipes (size, odor, etc.) and related complaint handling
	Training on the internal control QR program for diaper products
	Training on quality management process for sharps management
	Apparel manufacturing and quality management process training
	Training on the ISO9001 quality management system
	Textile standards and quality control process training
Technology Enhancement	Training on testing methods of yarn textile fabric
	Training on technology of fabric weaving and finishing
Compliance	Content of declaration of conformity form for nursing products
	Requirements on cosmetics production
	Training on filling requirements of toothpaste product

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SUPPLY CHAIN RISK MANAGEMENT

The Group identifies supply chain risks through a system that includes monthly assessments and annual evaluations of all suppliers, alongside internal audits. We control prioritized risks by, on the one hand, pushing suppliers for improvements in performance and, on the other hand, raising the prospect of supplier termination if improvements are not made. Suppliers are expected to deliver high standards of strategic cooperation, quality reliability and delivery performance among other things. In 2023, the Group terminated a total of 81 materials and parts suppliers and 59 OEM suppliers who did not respond adequately to requests for corrective actions.

With the frequency of unexpected extreme weather increasing in recent years, the Group is monitoring and has begun to assess the potential impact of climate change and extreme weather conditions on the supply of materials and components. For example, it is assessing suppliers' ability to respond to blizzards in northern China.

In 2023, the gb brand's risk assessment of its OEM suppliers focused on analyzing supplier dependency, and it set a principle of *maintaining at least two qualified suppliers for any core product in the same category*. The brand has also been actively encouraging suppliers to be more transparent on product inventory, in an effort to mitigate supply disruption through collaboration and efficiency improvement.

BUILDING A SUSTAINABLE SUPPLY CHAIN

The Group seeks to work with suppliers who are able to meet the high quality requirements and operate with ethical principles. Following the revision of our *Supplier Guidance Policy* and master supplier agreements in 2022, in 2023 we issued a formal letter (letter contents are shown as below) urging all materials and components suppliers to duly complete the certification process for energy management, environmental management, and occupational health and safety management. These certifications/qualifications act as bonus points in our overall evaluation of suppliers' competency.

"…We acknowledge the extra time and resources needed to complete the certification, nevertheless we believe you will benefit from this investment in the long run. We would be delighted to support you in this process however possible, such as relevant training and experience sharing."

PART 6: COMMITMENT TO CUSTOMERS WITH UPGRADED SERVICES

Goodbaby International provides juvenile products and services to parenting families in more than 120 countries and regions through self-owned and distributor channels both online and offline. Each of the Group's three strategic brands has a distinct market positioning, and operates its own independent sales and service system that addresses the differentiated needs of consumers in its market segment. We also produce customized childcare products and provide after-sales services for Blue Chip customers.

GETTING CLOSER TO END-CONSUMERS

Goodbaby International's classic high-end international brand CYBEX offers sales and services worldwide through its global omni-channel distribution network. Its self-owned marketing, sales and after-sales service, including flagship stores and maintenance centers, has a presence in 46 countries. CYBEX also provides products and services via third-party distribution partnerships to broader countries and areas. The long-standing Evenflo brand mainly serves markets in the US and Canada, working in partnership with three major retailers: Walmart, Amazon and Target, and operates its own online sales platform. The gb brand focuses on the PRC market, where it serves millions of parenting families through approximately 4,100 retail sales points (including 445 self-owned stores), and a network of over 500 channel partners and e-commerce and social media platforms.

In 2023, the gb brand initiated a significant upgrade to its after-sales service policy based on market research. The upgrade included extending the warranty period for durable goods[1] (car seats enjoy a lifetime warranty and free replacement post-accident), replacement instead of repair for electrical appliances, and complimentary liability insurance for customers.

In the Reporting Period, the Group's online and offline turnover accounted for 28% and 72% respectively of its total revenue, benefiting from the Group's continued investments capitalizing on the growing popularity of direct sales. Membership clubs of the Group's three strategic brands have expanded substantially, with the gb brand growing the number of its registered members to over 25 million. CYBEX operates online stores in 22 countries in the EU and North America.

[1] Child car safety seat and strollers. Please reference specific product manual for the terms on warranty and maintenance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CUSTOMER ENGAGEMENT AND FEEDBACK

Our channel partners, which include distributors, chain stores and franchisees, are critical in enabling the Group to reach a broader range of consumers and delivering its brand commitment and value. In managing its downstream channels, each of our brands takes into account the relevancy of its target markets and the relevant legal requirements to ensure that service standards are consistently met. We conduct annual partner satisfaction surveys in areas such as product quality, delivery capacity and service quality, the findings of which serve as the basis for improvement plans.

Our consumer satisfaction surveys are carried out either by third-party agencies or in-house teams depending on local market circumstance. We also leverage monthly consumer product surveys to gain insights into product features, materials and packaging, as well as market perceptions of our brands. The size of these surveys varies from 1,000 to 10,000 participants each time. CYBEX sends consumer survey for every successful online order, and received nearly 4,000 responses in 2023. CYBEX continues benefiting from consumer insights generated from the survey results for improving efforts.

The gb brand conducts satisfaction surveys among its wholesalers, distributors, and retail outlets following its Measures for Customer Satisfaction Survey Management policy. It collects feedback in seven areas, namely customer expectations, product quality, service quality, perceived value, satisfaction, complaints and loyalty. The findings from surveys in 2023 showed that wholesalers tend to be most focused on supply chain stability and on-time delivery of orders, distributors on profit margins and support policies, and retail terminals on support for product display and features and training. In response to these findings, the gb brand set up a special taskforce to coordinate resources and develop action plans, which includes the establishment of a country-wide knowledge database to enable flexible online learning.

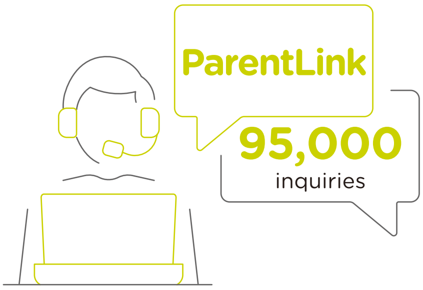
Engagement effectiveness and accessibility are areas we have systematically prioritized for review. Enquiries and complaints can be submitted through our channel partners or customer service hotlines, and also via emails and/or QR codes publicly available on each brand's website. Contact information for after-sales service is also on the manuals of all Goodbaby International products (except where legally required otherwise).

We have a clear complaint handling process, whereby all inquiries and complaints received are logged by category and followed up by the relevant departments until a solution is accepted for closure. We work to ensure a prompt response, usually within 24 hours of receipt of a case, and aim to resolve all problems within seven[2] days. Each brand or market sets its own response timeframe in the light of local conditions. Complaints relating to product quality and performance are brought to the attention of the relevant quality management team, and are used as important references in the continuous improvement of our products.

[2] There are cases that exceed seven days for specific reasons.

The Group's manufacturing bases in the PRC collect feedback formally from Blue Chip customers according to the *Consumer Satisfaction Control Procedures*. The gb brand processes complaints following the *Customer Complaint Procedures* and the *User Service Management Procedures*. Evenflo tracks a number of customer satisfaction indicators, including duration of incoming calls and waiting times and time needed to resolve a case, on a daily, weekly and monthly basis.

Evenflo operates ParentLink, an after-sales service center, which operates dedicated hotlines, email, online chat and social media accounts and provides visual support where necessary. Feedback received is primarily product-related, including feedback on car seat installation and user experience in accessing online services. In 2023, Evenflo expanded its dedicated service team to better support consumers living in the US West Coast time zone. As of 31 December 2023, Evenflo's customer service center had processed around 95,000 inquiries.



In 2023, the gb brand launched customer service chatbot enabling real-time online responses and services:

- The average response time improved from 30 seconds to less than **20** seconds.
- The average case completion time for after-sales service fell from 10 hours to **6.9** hours per case.
- The chatbot has enabled **24-hour** customer service.
- Customer consultation satisfaction increased from 4.2 to **4.8** on a scale of **5**.

In 2023, the Group processed over 560 compliant cases, including 240 consumer complaints processed by gb, 200 by Evenflo and over 120 by CYBEX respectively. During the Reporting Period, no new legal cases on product disputes were brought against the Group.

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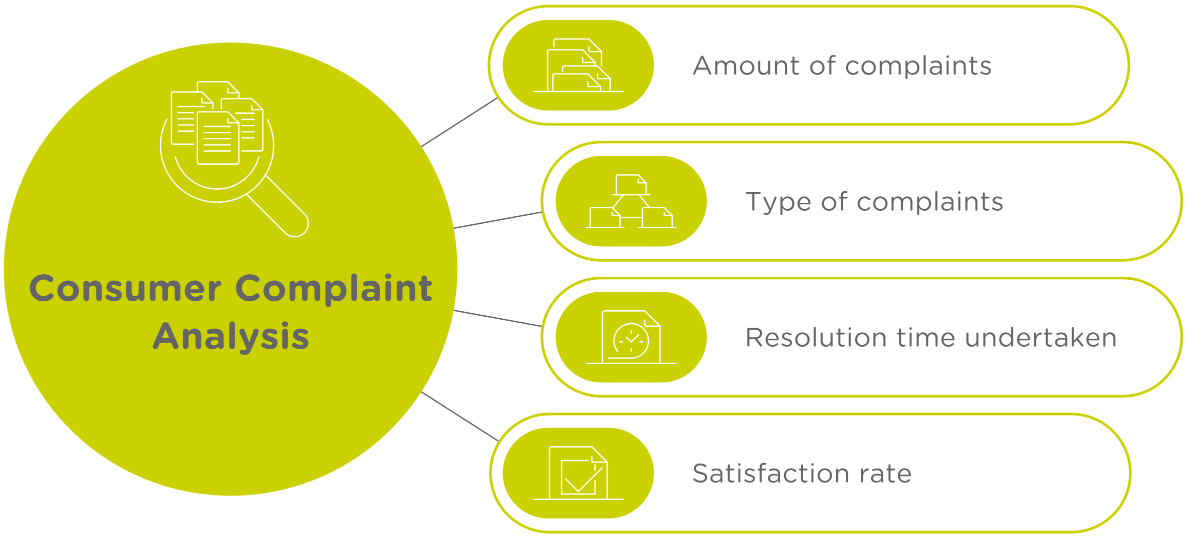

In March 2023, CYBEX initiated a product recall of infant car seats made between 6 June 2017 and 1 November 2020. A potential defect was identified in the webbing strap used to tighten the shoulder harness, which meant that the strap could fray over time, reducing the strength of the webbing. The recall involved 12 models of the Aton Series and Cloud Q Series. Following the recall, CYBEX sent 6,398 free remedy kits to registered owners in the US and Canada. Zero related products had been returned by customers.

In late 2023, Evenflo identified a case of an incomplete warning on the label of its car seat Model 3712198, failing to meet the requirements of the FMVSS 213 standard. Evenflo had successfully recalled the defective car seat model and reported the case to the National Highway Traffic Safety Administration of the US (NHTSA). No additional cases were found in the same batch of products released in May 2022. Evenflo has upgraded its labeling process twice for this particular model, in November 2022 and May 2023, to eliminate any further issue.

PROTECTING INFORMATION SECURITY

The Group engages with consumers via online platforms as well as through traditional in-person engagement at retail outlets. This means that our sales and service teams are exposed to a vast amount of personal data in the course of providing regular services. As our membership network continues to grow, the Group is acting conscientiously to ensure its personal information and privacy policies and procedures are sufficient and robust, and that they protect consumers across all of our business activities.

The Group strictly abides by the PRC's *Cybersecurity Law*, *Personal Information Protection Law*, and *Consumer Rights and Interests Protection Law*, the *European Union General Data Protection Regulation*, and the *Privacy Act* in the US. The Group has laid down guiding principles in its *Code of Business Conduct* on the collection, reading, storage, usage and transfer of consumer information. It has also laid out detailed sets of rules in its *Information Security Policy* for the PRC operations, in the *Quality Manual* and *Roles and Responsibilities of Management* document for the US operations, and the *Information Security Policy* and other data protection policies for the EU operations, which provide control procedures and roles defined in terms of authorized access to consumer information. Training and inspections are conducted regularly.

Each of the Group's brands categorizes personal information according to defined levels of sensitivity and importance among other criteria, and has established corresponding access restrictions. Each brand also undertakes periodic audits to ensure the appropriateness and effectiveness of access authorization. In addition, we provide training for employees, distributors and franchisees on privacy protection laws and regulations, processing and use procedures, and individual liabilities, to ensure company-wide compliance in the collection and use of consumer information. We also encourage employees to identify and report any potential issues that may lead to potential data leakage. In 2023, the Group did not receive any relevant complaints.

RESPONSIBLE MARKETING

The Group is committed to presenting truthful, accurate and clear descriptions of its product functions, product quality, safety standards and services throughout its business activities, including in its marketing, sales and after-sales services, while rejecting exaggerated claims about the social and environmental impacts of our work. It also takes all necessary measures to ensure compliance with relevant regulations in its advertising, promotional activities and website content. We oppose unfair competition, abstain from disinforming customers on competitors' work/product, and prevent or avoid any potential adverse social impact and legal risks to our brands due to inappropriate publicity; we give extra care and protection to children and other disadvantaged groups in the marketing process and strive to practice responsible marketing.

Regular internal reviews to revise and adjust policies and procedures are conducted for the Group's operations in the PRC to align our operations with the 2023 revisions of China's *Consumer Rights and Interests Protection Law*. These revisions impose greater protections for consumer rights and interests in the areas of information disclosure and transparency, protection of online shopping, fairness of contract terms and liability for false advertising.

The Group conveys its environmental awareness message to consumers through the eco-friendly products produced by its brands, and also by labeling environmental certifications on qualifying products. For example, the gb brand has adopted non-marking labels since its 2023 fall/winter collections, reducing the use of paper hangtags in its apparel and cotton products.

We have noted concerns from our channel partners and end users and their calling for carbon emission reductions. They typically expect an extended lifecycle for durable goods, simplified fit-for-purpose packaging design, and the adoption of more environmentally friendly packaging materials. These expectations have been fed back into Goodbaby International's R&D and design functions, and some are already being reflected in our newly launched or upgraded products[1].

[1] Please refer to Part 3 for details.

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PART 7: CONTINUOUS IMPROVEMENTS IN WASTE AND EMISSIONS CONTROLS

As a leader in serving child-rearing families by offering juvenile products and services, Goodbaby International believes that our future generations have an entitlement to a fair share of the earth's limited natural resources. We are also conscious of the huge impact on society, businesses, and families that climate change and ecological degradation are having. We have therefore taken a product life cycle perspective in our strategic planning, in an effort to minimise our environmental impact wherever possible.

We have carried out a risk and opportunity analysis for carbon emissions reduction based on a careful screening of our energy consumption for operations in terms of source, use and quantity. Approximately 80% of the Group's energy consumption is of purchased electricity, mainly used for production in our manufacturing bases. We have been assessing viable alternative renewable energy options, and reached a decision to deploy a photovoltaic (PV) generation system which is built on a rooftop at our Kunshan manufacturing base in the PRC (the Kunshan PV project). It has been commissioned in January 2024, primarily for our own operations but with a grid connection. Its designed operational period is 25 years, and it will generate approximately 3 million kWh renewable electricity annually. We will continue to assess the potential for adopting PV systems in our other plants.

The Group is continuously looking for ways to save energy in its production and evaluate related emerging technologies that could help us achieve our Scope 1 and 2 emission reduction targets for the near to medium term. Our R&D team has initiated programs to explore alternative eco-friendly materials and the associated production economics, as well as to optimize packaging and transport planning to improve efficiency. We aim to make concrete progress to reduce our GHG emission intensity without compromising the safety and functionality of our products.

In 2023, the Group recorded 34,419 tonnes of CO_2 equivalent GHG emissions, and an intensity of 4.34 tonnes of CO_2 equivalent per million HK dollars of revenue, representing year-on-year decreases of 7.42% and 3.16% respectively.

PRODUCTION FACILITIES AND PROCESSES

Juvenile durable goods, such as car seats, strollers, daily necessity products and toys manufactured by the Group are primarily composed of plastic components, fabrics and metal structural components such as aluminum alloy. Our production processes include plastic injection molding, metal processing, fabric sewing and product assembly.

Electricity is the main energy used for these production activities, and some processes require the use of natural gas. A few processes require water, which is taken from the municipal water supply. Energy used in aluminum alloy processing and plastic injection makes up the largest portion of the Group's total energy consumption.

The Group has three production bases in Kunshan, Ningbo and Pingxiang in the PRC and two in Piqua in the US and Tijuana in Mexico. The Kunshan base is our largest in terms of production capacity, with staff dormitories that can accommodate more than 3,000 people. Daily shuttle buses to the factory are provided for staff commute. The Tijuana base focuses on assembly, while Piqua has injection molding and product assembly operations. In the Reporting Period, we further consolidated our global manufacturing capacity across the five production bases to centralize management on capacity utilization and procurement efficiency. This move is expected to reduce our resource intensity.

The CYBEX business unit is primarily involved in marketing, sales and channel management, and also operates repair centers. The gb business unit delivers sales through its own retail outlets and channel partners, and manages OEM sourcing activities.

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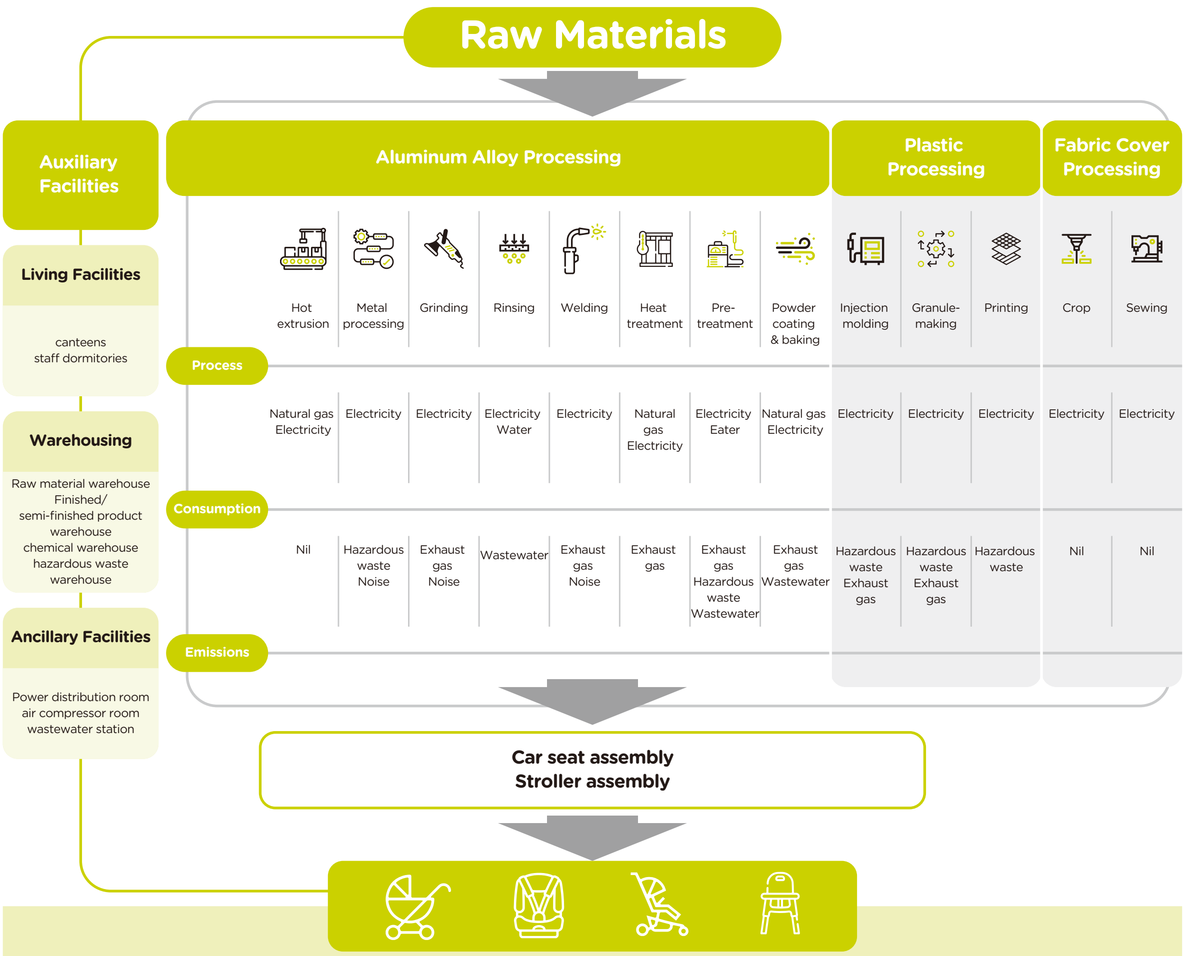
Energy Sources and GHG Emissions for Main Production Processes



Environmental impacts and measures taken

Hazardous gases:
Each emission source is equipped with corresponding hazardous gas treatment installations to ensure the post-treatment effect meets the standards

Industrial wastewater:
All wastewater is collected and treated by wastewater treatment station for discharge after reaching specific standard

Hazardous waste:
Gathered by qualified service providers for central handling

Noise:
Noise reduction equipment is used for treatment with standards met

Soil risk (the PRC):
Self-monitoring on regular basis

General solid waste:
Handled by qualified general solid waste collection units for disposal

Domestic waste:
Recycled by local government or third-party service providers

Domestic wastewater:
Connected to municipal sewerage network

RISK MANAGEMENT AND COMPLIANCE

We comply with all applicable environmental and resource utilization laws and regulations[1] in the areas where we operate, and have developed internal policies and procedures for energy efficiency, emissions and waste management at our manufacturing sites. In 2023, two regional policy updates were issued by Suzhou city that impacted on one of our PRC manufacturing sites. These require online and visual monitoring of effluent tests and certain specific measures in hazardous waste treatment. Compliance was achieved after the necessary amendments had been made.

We are always vigilant regarding environmental and compliance risks to ensure that any potential issues are quickly identified and potential threats eradicated from our daily operations. Our PRC manufacturing bases operate a system that includes daily safety checks, quarterly inspections, special inspection programs and safety campaigns, enabling prompt rectification of identified weaknesses.

Our PRC manufacturing bases are all ISO14001 and ISO50001 certified for their environmental and energy management systems. In 2023, we conducted internal and external audits on our environmental compliance conformity following the *Environmental Management System – Requirements and Guidelines* and *Quality and Environment Management Manual*. With nonconforming items identified and rectified, we also carried out trainings relating to waste management, environmental risks, and emergency response to chemical use and hazardous waste management in our PRC factories.

In 2023, the Group's discharges of industrial wastewater, exhaust gas and sewage all complied with regulatory requirements and standards. No environmental pollution incidents were recorded.

[1] Please refer to appendix I for detailed laws and regulations.

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ENVIRONMENTAL MANAGEMENT

MANAGEMENT OF EXHAUST GASES AND OTHER EMISSIONS

Aluminum alloy processing generates hazardous gases such as sulfur oxides, nitrogen oxides and sulfuric acid mist, as well as dust. Plastics processing produces volatile organic compounds and non-methane hydrocarbons during the sub-processes of injection molding and printing. All hazardous gas emission sources are managed in closed environments equipped with gas treatment devices to ensure that the treated gases conform fully to the emission standards and requirements of the countries and regions where we operate.

In the PRC, our *Exhaust Gas Management Regulations* lay out operational rules and procedures in accordance with national laws and regulations. We have also commissioned a third-party professional environmental assessment agency to regularly evaluate and report on our pollutant emissions, to supplement our own internal testing. In the Americas, our production activities fully comply with the relevant requirements of the Environmental Protection Agency of the US and the Ministry of Environment and Natural Resources of Mexico.

System update for the plastic granulation workshops

- In 2022, we initiated a fugitive emission transformation project at our Kunshan base designed to reduce air emission and production noise and improve equipment safety. This was completed in 2023.

- We also completed a project to renovate the aging dust removal facilities in the granulation workshop at our Pingxiang base during the year. This involved fitting fire protection isolation valves, pipeline pressure relief valves, spark detectors and automatic sprinklers, significantly reducing safety risks and enhancing dust processing at the base.

Types of Exhaust Gases	Unit	2023	2022	2021
Nitrogen Oxides (NO_x)	Tonnes	0.416	0.380	0.62
Sulfur Oxides (SO_x)	Tonnes	0.019	0.019	0.12
Particulate Matters (PM)	Tonnes	0.352	1.104	1.00
Volatile Organic Compounds (VOCs)	Tonnes	0.216	0.428	0.80

WASTE MANAGEMENT

Hazardous waste generated during the production process mainly comes from the processing of aluminum alloys and plastics, including waste emulsion, waste mineral oils, waste sulfuric acid, waste activated carbon, waste surface treatment liquid, retired containers for hazardous waste and oily rags. The Group has a series of policies and measures relating to the disposal of hazardous waste, for instance, the *Hazardous Waste Identification Standards, Hazardous Waste Collection and Storage Management System*, and *Hazardous Waste Disposal Procedures for its PRC bases*. It's our routine practice to hire qualified professional agencies to collect hazardous waste for decontamination in accordance with the applicable laws and regulations in different countries. These policies and practices provide solid ground for applying systematic controls over our generation, collection, storage and transfer of hazardous waste.

In 2023, following a risk identification exercise, the Kunshan production site renovated the floor and walls of its hazardous waste warehouse and completely replaced the cover plates to avoid potential leakage. We also updated the hazardous waste labelling, exterior signage and related QR codes. These were inspected onsite and approved by relevant regulatory agencies and third-party experts.

The Group also generates non-hazardous solid waste in the production process, including waste metals, waste plastics, waste wood and waste packaging materials. We undertake segregation measures for solid waste warehouses with higher risk, separating waste types into different areas, ensuring accessible fire escapes, and prominently displaying no smoking signs.

The Group's PRC facilities recycle scrapped product parts according to the *Waste Management Regulations* and *Waste Disposal Management Policy*. Crushed and scrapped waste plastics and leftovers are collected and melted into granules. The remaining non-hazardous waste items are generally passed to qualified agencies for recycling. Our Americas production bases handle their waste in line with the applicable environmental conservation laws and regulations of their respective countries.

Types of Waste	Unit	2023	2022	2021
Hazardous Waste	Tonnes	392	304	377
Intensity of Total Hazardous Waste	Tonnes/Million Revenue (HK$)	0.05	0.04	0.04
Non-hazardous Waste	Tonnes	1,344	1,781	1,686
Intensity of Total Non-hazardous Waste	Tonnes/Million Revenue (HK$)	0.17	0.21	0.20

Note: From 2022 onwards, the figure for the total amount of non-hazardous waste disposal includes both office and/or domestic waste and non-recyclable industrial waste. Prior to that, only office and/or domestic waste was reported.

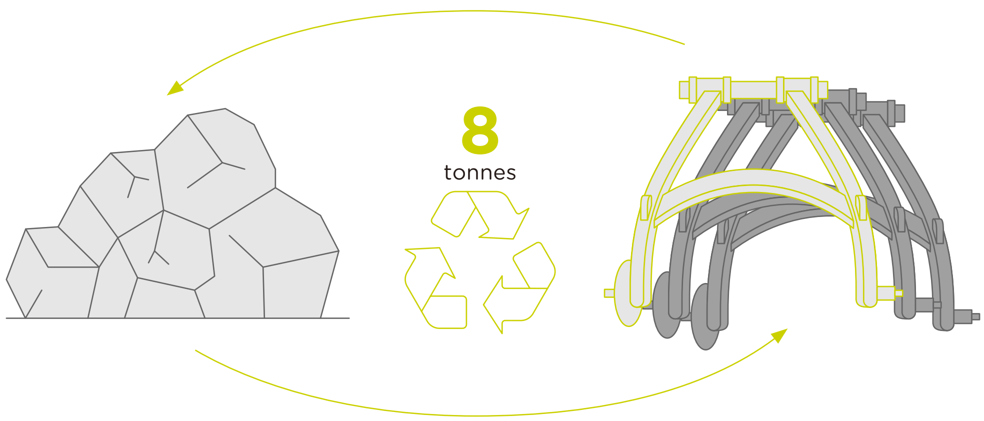
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

RESOURCES RECYCLING

The Group acknowledges the need to make its packaging materials more eco-friendly, and is taking action to recycle packaging materials where possible. We closely monitor market trends and the latest research and development in eco-friendly materials, and we are in discussion with companies with expertise for long-term solutions of the recycling and reuse of packaging. In 2023, improvement options were exploited in terms of packaging amount reduction and alternative material replacement, nevertheless affordability and operational controllability remain critical elements in the change management process.

In 2023, the gb brand achieved its target of adopting 100% recyclable packaging materials for its products and reusing 93% of its cartons, equivalent to saving around 530,000 new cartons. All CYBEX products were packed in recycled cardboard and CYBEX increased the usage of recycled poly bags. Evenflo worked with its suppliers to test various affordable and environmentally friendly packaging options throughout the year. For example, it reconfigured some of its cartons so that they used fewer materials and met the requirements of the Amazon Simplicity Packaging Certification.

The Group has taken measures to expand the recycling of industrial wastes during the production process. In the plastics factory of our PRC manufacturing base, we leveraged recycled PP raw materials to make parts such as front and rear legs and infant car seat frames. In 2023, approximately 8 tonnes of recycled PP raw materials were reused.



In 2023, gb-branded baby wipes adopted a recyclable PE material for their exterior packaging. This can be recycled and reprocessed to make products with similar properties, significantly improving resource utilization compared to the product's original packaging materials.

Types of Recycled Waste	Unit	2023	2022	2021
Plastics	Tonnes	914	1,097	707
Metals	Tonnes	545	879	767
Packaging Materials/Cardboards	Tonnes	903	983	1,315
Other Ancillary Materials	Tonnes	245	271	298
Total Volume of Non-hazardous Waste Recycled	Tonnes	2,607	3,230	3,087
Intensity of Total Non-hazardous Waste Recycled	Tonnes/Million Revenue (HK$)	0.33	0.39	0.32

Consumption of Product Packaging Materials	Unit	2023	2022	2021
Plastics	Tonnes	785	927	1,992
Cardboards	Tonnes	14,032	13,798	21,344
Total Product Packaging Consumption	Tonnes	14,817	14,725	23,336
Product Packaging Consumption Intensity	Tonnes/Million Revenue (HK$)	1.87	1.78	2.41

WATER USE AND DISCHARGE

Water is sourced from the municipal supply in each of our operating locations. The bulk of our water consumption is at the staff dormitories at our Kunshan base in the PRC. The need for water in production is limited, and arises mainly from rinsing and spraying in the pre-treatment of aluminum alloy processing. In 2023, the Group's total water consumption was 736,122 cubic meters, and its water consumption intensity was 92.86 per million revenue (HK$) representing year-on-year decrease of 6%.

In the PRC, we follow the *Waste Water Management Regulations* and other internal procedures when processing waste water at the treatment station of each production base, or by a qualified third party, to ensure chemical standards are met before discharge. Online detection instruments are in place for real-time monitoring of the total amount and concentration of effluents, in conformity with the *Pollutant Discharge Permit* issued by the government agencies.

Having separated the pipe networks for rainwater and domestic sewage in the Kunshan production base in 2022, we took further rainproofing measures in the temporary storage area for plastic particles to eliminate the potential risk of residual plastic particles being washed into the river system by rainwater in 2023. We also reinforced the underground pipe network accordingly.

We also upgraded the cooling water tower of the plastics plant in our Kunshan base to improve the efficiency of water use and avoid the risk of industrial water being discharged into the rainwater well.

In 2023, the Group increased the frequency of contamination testing of soil and groundwater at its production bases in the PRC, from once a year to once every six months. The sampling results were in line with all indices set by national and local authorities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Water Consumption	Unit	2023	2022	2021
Water Consumption by Volume	Cubic Meters	736,122	816,516	814,883
Water Consumption Intensity	Cubic Meters/Million Revenue (HK$)	92.86	98.47	84.08

Wastewater Discharge	Unit	2023	2022	2021
Chemical Oxygen Demand (COD)	Tonnes	0.21	0.37	0.67
Total Nitrogen (TN)	Tonnes	0.003	0.021	0.03
Total Phosphorus (TP)	Tonnes	0.001	0.002	0.001

ENERGY CONSUMPTION AND GHG EMISSIONS

Goodbaby International has business operations in many countries, each with different climate challenges and national climate policies. This presents complex risk profiles and opportunities for the Group's supply chain and sales operations. In light of our strategic planning, we made a preliminary attempt to conduct a climate policy review covering the countries and regions where our supply chain and sales networks spread across, and concluded on a set of identified physical and transitional risks, and the corresponding potential financial impacts.

The Group's GHG emissions mainly come from electricity and fuel consumption, so we focused on enhancing the efficiency of our usage of energy and natural resources by exploring feasible new technologies and equipment upgrades as necessary. In addition, we are keen to expand our efforts to source renewable energy. These strategic measures are designed to deliver our abatement target on Scope 1 and Scope 2 GHG emissions intensity by 60% by 2035 compared with the 2020 baseline, and to achieve net zero for our own operations by 2050.

PRC MANUFACTURING BASES

Our PRC manufacturing bases are ISO 50001 certified for energy management systems. They have consistently met their annual targets for energy conservation and emissions reduction, a result which has been driven by concrete actions across all plants. In 2023, we made modifications to several processes and procedures in order to further improve energy and resource efficiency.

Application of Radio Frequency Identification (RFID) technology for paperless operations and more efficient turnover of finished products in the logistics warehouse.

Ordering	Stocking	Inventory
Manual work: delays in ordering, printing, and information delivery	Manual work: lower efficiency and higher error rate	Manual work: loading and unloading by storekeepers operating forklifts
RFID: automatic account exchanges, real-time data updates, and paperless operations	RFID: Automatic scanning, efficient and error-free ordering	RFID: automated processes offering high levels of accuracy and efficiency

ENERGY CONSERVATION PROJECTS AT THE KUNSHAN MANUFACTURING BASE IN THE PRC

Two modifications to the metal factory:

- Updated the power system of the air-conditioning facility in the stamping workshop to reduce electricity consumption by about 20%;
- Installed an automatic go-stop system with software control, cutting energy consumption by about 67%.

20%

67%

The replacement of eight cooling towers with four advanced ones in the plastics factory has effectively strengthened the water sealing function and saved around 18,800 kWh of electricity per month.

18,800 kWh

Relocating the fabric sewing factory to the Kunshan Industrial Park has reduced the distance for transporting raw materials between processes by approximately 400 kilometers per month.

400 km

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MANUFACTURING BASES IN THE AMERICAS

In the US and Mexico, the Group has strengthened its sustainability strategy and management through a focus on four areas: reducing electricity consumption for production, optimizing production processes, creating sustainable supply chains and transportation systems, and enhancing external supervision through certifications.

The Piqua production base in the US is mainly engaged in injection molding and product assembly. Its carbon emissions primarily come from electricity consumption, with a small percentage from its self-owned vehicles. Benefiting from the city's hydropower and solar power generation capacity, 25% of the base's operational electricity now comes from renewable sources. In 2023, the US production site launched several projects for energy conservation, described below.

50,000 kWh
in energy

In 2022, the Piqua base kicked off a program to adopt iMFLUX technology to improve energy efficiency of plastic injection.. This involves reducing the time needed for the injection molding process and thus consuming less energy. The project was completed in 2023, delivering a monthly saving of around 50,000 kWh in energy consumption measured at the same production capacity.

Energy-saving initiatives of the manufacturing bases in the Americas in 2023

- Moved the demolding process to the night shift and added an automatic switch-off function
- Updated air compressors to optimize operating pressure
- Cancelled supplemental lighting in the Transport area near skylights
- Replaced outdoor HID light fixtures in the employee car park with LED fixtures

Total energy consumption for 2023 fell by 6.16% to 66,030 MWh, and energy consumption intensity reduced by 1.83% to 8.33 MWh per million HK dollars of revenue.

Types of Energy	Unit	2023	2022	2021
Unleaded Gasoline	MWh	474	413	615
Diesel	MWh	825	664	1,387
Natural Gas	MWh	10,027	9,508	12,119
Liquefied Petroleum Gas	MWh	57	59	129
Total Direct Energy Consumption	MWh	11,383	10,644	14,250
Purchased Energy	MWh	54,648	59,713	65,936
Total Indirect Energy Consumption	MWh	54,648	59,713	65,936
Total Energy Consumption	MWh	66,030	70,357	80,816
Energy Consumption Intensity	MWh/Million Revenue (HK$)	8.33	8.48	8.27

Note: Energy consumption is calculated according to "How to Prepare an ESG Report Appendix 2: Reporting Guidance on Environmental KPIs" issued by the SEHK, and the "Energy Statistics Manual" issued by the International Energy Agency (IEA).

GHG Emissions	Unit	2023	2022	2021
Direct GHG Emissions (Scope 1)	tCO_2e	2,723	2,543	4,140
Energy Indirect GHG Emissions (Scope 2)	tCO_2e	31,696	34,634	40,228
Total GHG Emissions (Scope 1&2)	tCO_2e	34,419	37,177	44,350
GHG Emissions Intensity	tCO_2e/Million Revenue (HK$)	4.34	4.48	4.58

Note: GHG emissions are calculated according to "How to Prepare an ESG Report Appendix 2: Reporting Guidance on Environmental KPIs" issued by the HKEX.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PART 8: RESPECTING EMPLOYEES' RIGHTS AND INTERESTS AND ENSURING SAFETY

Goodbaby International operates in alignment with the United Nations' Sustainable Development Goal (SDG) of promoting "*Decent Work and Economic Growth*", acting to eliminate child labor and forced labor. The Group complies with the laws and regulations related to employment and labor protection applicable to our various operations in the PRC, Europe and the Americas. Each BU has established its human resources (HR) policies, which are in accordance with the Group's *Code of Business Conduct*, while takes into account distinct social dynamics and local circumstances. The aim is to attract and retain a motivated and capable workforce that will help the Group's business to continue to grow.

The Group's *Code of Business Conduct clearly* lays out the principle of equal opportunity in its HR practices, covering recruitment, employment, promotion, remuneration, and training. Believing that workforce diversity benefits the Group's growth, we work to ensure that no individual is treated differently on account of their race, religion, age, gender, sexual orientation or marital status.

The Group convenes monthly global meetings to review the progress of the Group's annual HR priorities and milestones. In the Reporting Period, the Group created a new position of Group Chief Human Resources Officer. This position is responsible for building an integrated HR management system, coordinating policies and objectives, and promoting the Group's corporate culture across all its locations.

RESPECTING AND PROTECTING RIGHTS AND INTERESTS

EMPLOYMENT PRACTICES

The recruitment policies of each BU are in line with the Group's global strategic priorities, and there is a consistent stress on skills, competence, qualifications and experience in the hiring requirements. Various internal guidelines, including the *Recruitment Guide* and *Internal Referral Policies* in the PRC and the *Equal Employment Opportunity Policy* in the Americas, also affirm the Group's stance on equal opportunity and diversity.

The lingering impact of the COVID-19 pandemic was a major external factor affecting recruitment and retention of staff at the Group's manufacturing bases in the PRC and the Americas, where it saw a frontliner average turnover rate of almost 42% during the year. The aging demographics exacerbate our hiring difficulties, in 2023, the Group took a number of measures to secure new hires that included expanding its recruiting channels, improving workplace conditions, enhancing job training, and making its remuneration more competitive. We also actively helped new joiners through induction programs that enabled them to quickly integrate into and contribute to the Group's culture.

The Group in Europe has pushed its recruitment boundaries beyond the normal candidate pool in the manufacturing industries to include candidates from the fashion and cosmetics sectors. It believes that hiring from these sectors has the potential to bring in valuable cross-industry expertise and contribute to the gender diversity of the Group's workforce.

The Group's PRC production bases are collaborating with selected educational institutions in the country's less developed central and western regions by incorporating company-specific criteria of skillset in the curriculum. Job training and sponsored internships for students who enrol successfully are also included in this initiative.

We have worked with a total of 15 universities and 10 vocational schools over the years to create a pool of human resources with the skills profiles we need. Through this program, we have also supported local communities by offering job opportunities for fresh graduates. In the past four years, the Group has recruited a total of 470 skilled workers and 410 others for managerial positions or as management trainees through the program.

Goodbaby International strives to achieve a stable staff retention rate, which supports a solid corporate culture and the smooth passing on of corporate values. Good staff retention also delivers cost-savings because less has to be spent on recruitment and training. Exit interviews[1] are conducted in each of the Group's three home markets, and the feedback is evaluated and used for ongoing system improvement. The turnover rate in 2023 across each category shown in the table represented an improvement compared to 2022.

The Group's employee turnover rates by category in 2023 were as follows:

Employee turnover rate	2023	2022
Male	38.96%	46.46%
Female	38.79%	44.99%
Aged 29 and below	83.96%	100.65%
Aged 30-49	32.16%	36.18%
Aged 50 and above	0.34%	36.13%
The PRC	44.28%	45.68%
EMEA	21.85%	28.23%
The Americas	13.79%	62.07%

The Group structures its remuneration packages based on employees' job responsibilities and related KPIs. Our compensation and welfare arrangements aim to be competitive locally, and are complemented with an array of insurance options and paid annual leave. Other benefits include paid leave of absence for marriage, bereavement, maternity, sickness, nursing care, childcare and paternity, each with durations in line with prevailing local norms. Relevant policies are reviewed and updated annually by the Human Resources Department of each BU to keep them attractive to staff and candidates.

Our PRC manufacturing bases strictly comply with Labor Law, Trade Union Law, and other applicable laws and regulations. The Group concludes a "Collective Contract" with employees, which includes honoring and protecting employees' rights and interests in the areas of salary payment, working hours, rest days, holidays and leave, occupational safety and health, specific protection for female workers, social insurance and welfare, and vocational skills training.

[1] Exit interviews are conducted primarily for those who made resignation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PROTECTING EMPLOYEES' RIGHTS AND INTERESTS

Our mission of "To care for Children, To serve Families, and To give Back to Society" means we look to protect children's interests in our social engagement activities, and that we prohibit any type of child labor and forced labor in our own operations. We have clearly laid out our human rights stance in the *Code of Business Conduct*, and we conduct age verification procedures in the recruitment process for full-time, part-time and contract/hourly workers in all the places where we operate. For example, in the US we have voluntarily adopted e-Verify, a system that verifies personal information for entry-level employees against government records. In the PRC, our *Employee Handbook* and Recruitment Bulletin specify that employees must be no younger than 18 years old. Not only do we take strict precautions in our internal systems, we also require our suppliers to sign a declaration of their compliance with applicable laws and regulations on this matter.

The employment contracts we sign with employees are freewill-based, and contain explicit and detailed information regarding job descriptions, performance requirements, benefits and remuneration. Our production sites have procedures in place for managing overtime practice[2] in line with applicable laws and regulations of the areas where we operate. A request for employee overtime must be authorized by a responsible department manager. In our PRC manufacturing bases, frontline workers must be assured of at least one full day off per week. By the end of 2023, no child labor and forced labor cases has been identified in the Group.

The Group is committed to fostering a corporate culture that celebrates mutual respect and inclusiveness and provides multiple communication channels between management and staff. We work to prevent inappropriate verbal behaviour and harassment in the workplace. The Group has a whistleblowing policy and whistleblower protection measures in place to help employees protect their own interests and exercise their right to challenge and report behaviors that do not comply with the Group's policies. For example, our Evenflo brand maintains an independent corporate ethics hotline (also accessible via an online channel), and provides training for its employees on the use of the hotline along with regular reminders of its availability every six months.

Goodbaby International's PRC production bases abide by the country's *Labor Law*, *Trade Union Law* and other applicable laws and regulations. Trade unions have been duly formed to protect employees' rights and interests in the areas of employment administration, salary payment, working hours, paid leave and breaks, occupational safety and health, specific protection for female workers, social insurance and welfare, and vocational skills training. An Employees' Representatives Conference is held at least once a year to deliberate and vote on a variety of agenda items, including the Group's material reform plans, salary adjustments, employee welfare, social insurance, and other policies and rewards and penalties that involve the fundamental interests of employees. At the end of 2023, 99% of the Group's employees in the PRC were union members of their own free will, and were represented by the union in the negotiation of the collective bargaining on contracts and wages.

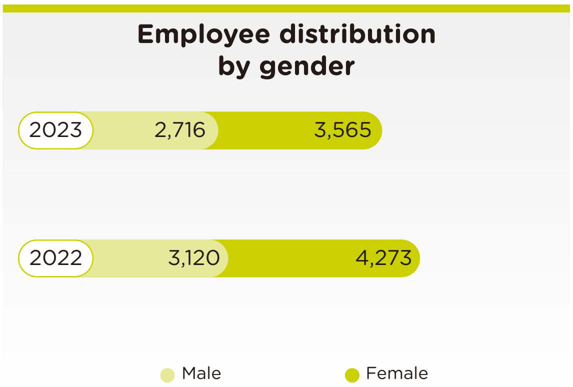
In Germany, our CYBEX BU has a Workers Council, representatives of which are elected from its member employees every four years. It meets weekly to communicate with members. In 2023, the CYBEX BU and the Workers Council reached an agreement on extending the existing flexible working hours, an issue that had been raised by many members who were challenged by routine longer working windows to communicate with colleagues and clients in different time zones such as the US or the PRC. The new arrangement allows affected employees to work flexibly within a wider range of the day, between 6:00 a.m. and 9:45 p.m. Furthermore, following a request by the Workers' Council, it was agreed to extend the quarterly employee communication meetings hosted by the management team by an extra 30 minutes to cover subjects specifically relating to employee benefits and interests.

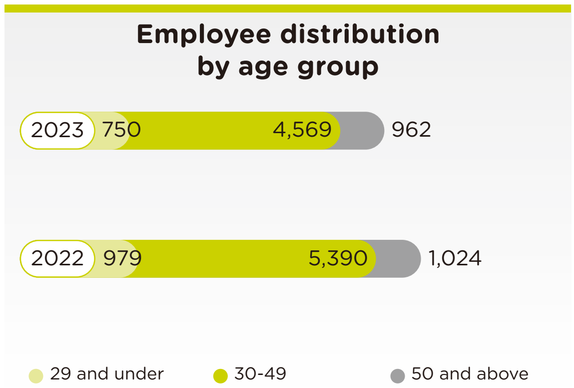
2 Certain management roles and positions of the Group are not eligible for OT arrangement.

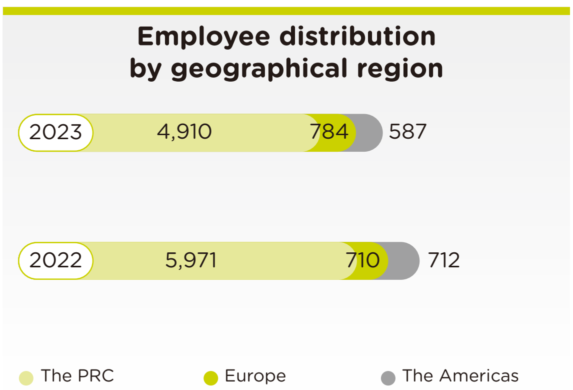
The trade union of the PRC production sites organized more than 60 activities in 2023. These included feedback interviews and meetings with employees who were financially stressed, as well as sports activities and skills competitions, among others.

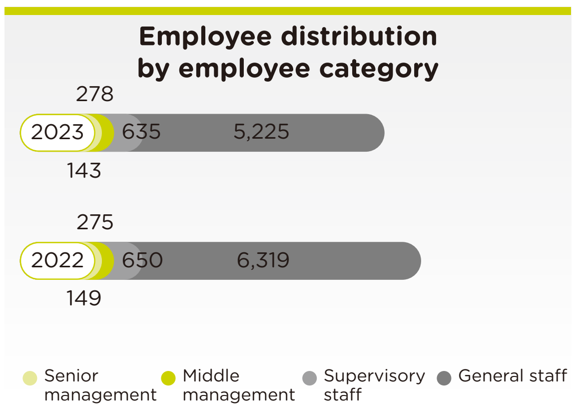
Employee clubs are encouraged and supported. Current sports teams include teams for basketball, cycling, badminton and running, and there are also performance arts and calligraphy groups.

During the year, the Group took a number of measures for optimal performance in efficiency per person at its production bases. As at 31 December 2023, the Group had a total of 6,281 employees around the world, down by 1,112 from 31 December 2022. The Group's overall employee average turnover rate was 38.9%.









ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

COMMUNICATION AND DEVELOPMENT

The Group believes two-way communication with its workforce is essential for effective engagement. There are regular employee townhalls with management briefings on the Group's business milestones and corporate culture themed events and activities in each BU and the production facilities. The management team also listens to its employees via publicly available external and internal means.

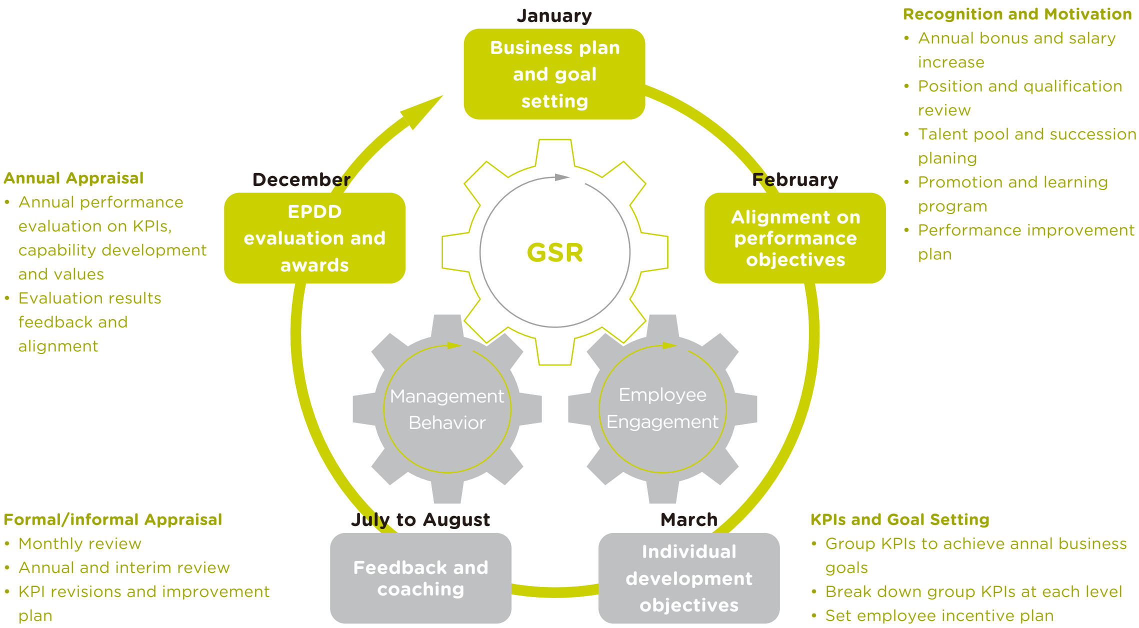
The annual Employee Performance and Development Dialogue (EPDD) is not only a standard process for appraising employee performance and development, but also a vital channel for receiving employee feedback.

During the process, managers at all levels review with their direct reports on agreed KPIs, values alignment, and competency. The results of the EPDD form the essential reference are for decision-making on employee promotion, transfer, and training investment.

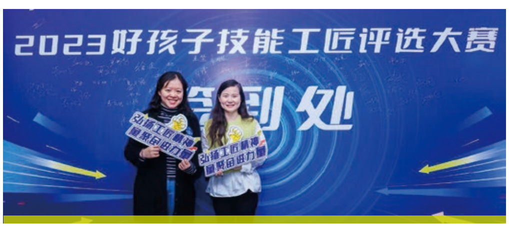
The Group offers customized development programs for the management teams and its shop floor workers respectively to cater different training profiles and using different means. In addition to company-wide mandatory internal training, we offer a variety of online courses (through the Cloud Academy and Goodbaby University) and opportunities to attend external seminars. These all have the aim of continuously raising the skills and knowledge of our workforce.

In the PRC, we develop our training plans based on an assessment of three dimensions: our business development needs, our needs for organizational competency in particular areas, and our overall performance evaluation. We prioritize succession planning for the mid-level management team, with high performers being offered an accelerated trajectory with intensive training. For frontline employees, our training program emphasizes skills proficiency, skill advancement, and skill diversity. In 2023, we also completed annual training on business ethics and corporate behavior, conflict of interest, anti-corruption and whistleblowing for all employees. In total, we provided 55,051 training hours for our employees.

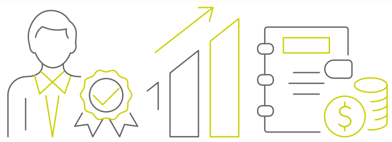
Our PRC production bases work in line with the *Goodbaby Learning and Development Manual and Policies for Training Management*. They operate a personal development system that covers goal-setting, training programs, individual development planning, feedback and evaluation.



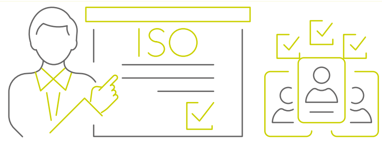
In December 2023, our PRC manufacturing bases launched a competition under the theme of *Promoting Craftsmanship, Energized for Progress*, designed to provide examples of excellence and inspire staff to strive for technical advancement. The competition included eight categories: welding, riveting, installation, sewing, tool maintenance, sign making, machine setting and drafting. A total of 379 employees participated in the competition, with 60 nominated for and 10 awarded the title of *Artisan Master*.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



In 2023, the PRC production sites continued with a program supporting workers to obtain skill-rank recognition for six types of work: assembler, sewing worker, draughtsman, apparel pattern maker, mold maker, and stamping worker. A total of 716 employees passed the evaluation, an increase of 36.9% year-on-year. Of these, 47 were recognized as technicians, 73 as senior workers, 288 as intermediate workers and 308 as junior workers. Salaries and benefits have been adjusted to align with the new rankings. We have worked steadily to develop the skills of frontliners as they look to advance in their careers and increase their income. Our initiatives in this respect have received tremendous support from employees at large, with the number of participants increasing each year.



On 17 and 18 March 2023, the PRC production bases ran a training course for ISO 9001:2015 quality management system internal auditors. The course covered audit planning, on-site audit simulation, identification of non-conformities, preparation of non-conformity reports and other subjects. A total of 58 employees in quality-related positions attended the training, and 37 of them were granted internal auditor certifications.

Percentage of employees trained, and average training hours by gender and employee category

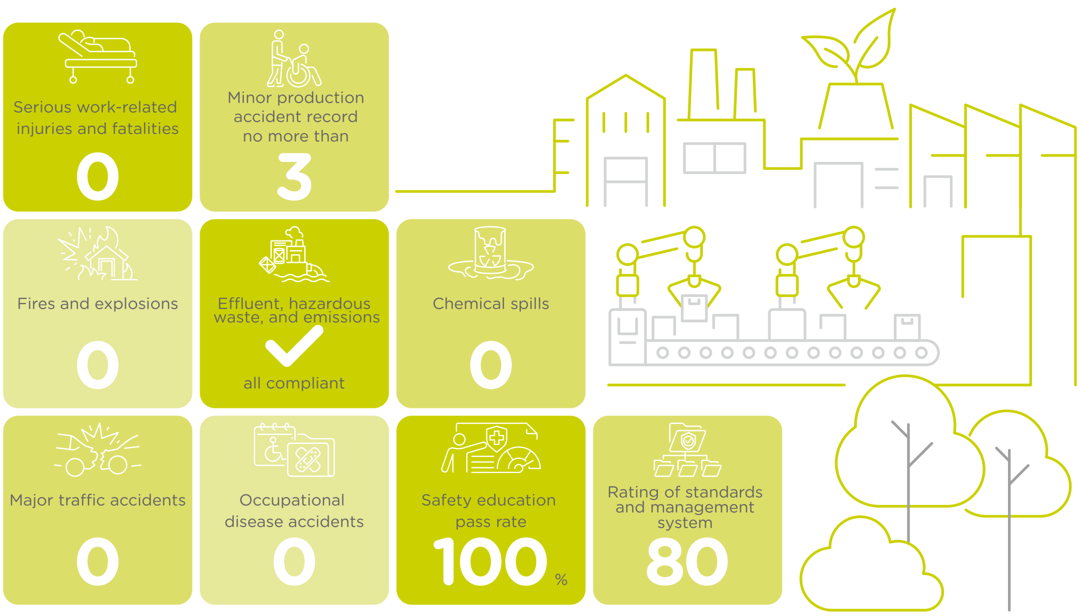
	Number of employees trained				Average training hours (Hours)	
	2023		2022		2023	2022
Employee training rate	No. of employees	%	No. of employees	%	Hours	Hours
Male employees	2,843	97.85%	1,891	56.10%	21.43	15.56
Female employees	2,867	73.90%	2,374	50.38%	17.47	16.02
Senior management	142	96.11%	52	33.55%	27.31	3.64
Middle management	290	104.44%	146	50.50%	28.64	5.19
Supervisory staff	637	99.20%	305	42.40%	26.17	9.80
General staff	4,641	81.17%	3,762	54.36%	17.42	17.17

PRODUCTION SAFETY AND OCCUPATIONAL HEALTH

The durable goods made by Goodbaby International, mainly children's car seats, strollers, children's bicycles and tricycles and infant car seats, are manufactured and assembled in our five self-operated production bases, which provide more than 5,200 jobs in production and manufacturing work. Production safety and occupational health are vital aspects of our operations. The Group completed ISO 45001 Occupational Health and Safety Management Systems certification of its three PRC production bases in 2021 and 2022, and has established an effective three-pillar management structure covering Environmental Management System, Occupational Health Management System and Production Safety Standardization.

The three PRC manufacturing bases set their objectives for safety and occupational health, carry out risk screening and evaluation, establish safety indicators, formulate emergency response plans, and provide safety education and skills training. These are all conducted in accordance with 76 internal policies and procedures, including the *Occupational Health and Safety Management Manual*, the *Safety Production Responsibility Policy*, the *Occupational Health Management Policy*, the *Protection Equipment Management Measures*, the *Safety Management for Special Operations*, the *Work Accident Management Policy*, the *Fire Safety Management Policy*, and the *Policy on Safety Production Education and Training Management*. During the Reporting Period, we revised the *Safety Alert Management Policy* to further clarify reporting channels and procedures in the event of emergencies. We also identified a total of 420 non-conformities through our quarterly audits. Of these, 99% have been rectified. We successfully completed the annual internal and external audits for ISO 45001 renewal.

Various safety management goals and indicators were set for our manufacturing bases in the PRC in 2023. They included:

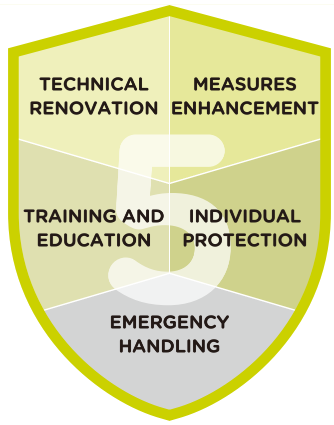


We comply with applicable laws and regulations by the U.S. Occupational Safety and Health Administration and the Mexican Ministry of Labor and Social Security, and take responsibility to manage occupational health and workplace safety for the shop-floors and offices at the manufacturing bases in Piqua in the US and Tijuana in Mexico. Its scope of work also includes identifying risks, monitoring the frequency of accidents, and conducting root cause analysis to achieve rectifications.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group stresses accountability in occupational health management and conducts regular checks of hazards at its work premises. These hazards include noise in metal processing and arc lights from welding. Positions involving these tasks operate in shifts, workers are fully informed of the hazards, and protective devices must be worn when operating relevant machinery. Routine health checks for these operators are also performed. In 2023, 728 employees in our manufacturing bases in the PRC took occupational health check-ups. One contraindication case was identified, and the relevant individual was transferred internally to a different job.

In 2023, the PRC manufacturing bases carried out production safety and occupational health screening, through which we identified more than 30 risk items, including VOCs, flammability, high temperature operations, and limited space for operations. Risk mitigation involved five main actions, namely technical renovation, measures enhancement, training and education, individual protection, and emergency handling.



Employee participation in safety hazards management, helping forge a strong corporate safety culture

During the relocation of our fabric cover factory to Goodbaby International's base in Kunshan in the PRC, certain equipment had to be temporarily stored outdoors. Some local employees saw the temporary storage as a potential traffic safety risk at the site, and raised the case with their manager. The factory took the employees' concerns seriously, confirming there was a risk after undertaking a comprehensive assessment jointly run by its security, environment and production safety, and general administration departments. This led to amendments such as strengthened controls over the passageway width and traffic intensity.

In 2023, our PRC production bases conducted a total of 24 emergency drills. These encompassed two equipment drills, eight fire drills, 14 drills for hazardous chemical leakage and falling from heights, and 21 training sessions of nearly 90 hours covering subjects such as laws and regulations, rules and policies, and operations and safety protection. Our manufacturing site in Mexico also organized two fire drills and one earthquake drill during the year.

Reducing labor intensity:

Case 1:

Replacing manual sealing with an automatic sealing machine

Before Employees needed to bend down and hold the packaging while pasting down tape.

After The sealing machine completes the pasting action and automatically weighs and scans codes on the targets, greatly reducing the work intensity of packaging.

Case 2:

Using AGVs for handling materials

Before Materials moved with hydraulic trucks

After AGVs carry out most handling tasks, such as moving materials from the warehouse to the thread area, as instructed by the ERP system.

Reducing safety risks:

Case 1:

Adopting frozen trimming machine

Before Manually picking up products and placing them in the blister box could cause finger injuries to employees when trimming the edges.

After The introduction of cooling target products with −40℃ liquid nitrogen and trimming the embrittled edges by hits of special low-temperature particles

Case 2:

Two-hand switch modification

Before A machine equipped with two-hand switch buttons could be started with one hand, leading to potential accidents.

After A time controller was added, requiring the operator to use both hands to press the switch button within one second to start the machine; this method eliminate risks that can be induced by arbitrary single-hand operation

During the Reporting Period, none of the Group's five production bases experienced any major production safety incidents or fatal accidents. The number of lost working days logged due to work-related injuries was 23 days, a significant drop from 94 in the previous year.

Health and safety indicator	Unit	2023	2021	2020
Number of work-related fatalities	Person	0	0	0
Rate of work-related fatalities	%	0	0	0

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PART 9: CARING FOR CHILDREN, GIVING BACK TO THE COMMUNITY

Goodbaby International has a leading global business presence in the juvenile products industry, while all along upholding its mission of *caring for children and giving back to the community*. We are serving hundreds of millions of child-rearing families through our manufacture and distribution of high-quality products, while also contributing to the local communities where we operate and encouraging our employees to participate in voluntary activities that leverage their own expertise and abilities. We have also built stable partnerships with specialist social organizations to promote sustainable development for all.

In 2023, the Group continued to provide funding and employee volunteering time for programs centred on three main themes, namely *Caring for Children's Growth, Promoting Green Lifestyles*, and *Shared Responsibility for Community Building*. We also made donations through our partner NGOs and charity groups to help a broader range of people in need.

CARING FOR CHILDREN'S DEVELOPMENT

The Group has always believed that innovation in technology is vital for maintaining and consolidating our competitiveness, and that an essential prerequisite for continuous technological progress is the popularization of science. In other words, the commercial development of technology and the public popularization of science are mutually reinforcing activities. In view of this, the Group's gb brand is invested in supporting science education for local youth, and has made science popularization a focus of its corporate social responsibility activities.

In July 2023, the gb brand collaborated with the Suzhou Municipal Education Bureau and the Suzhou Municipal Science and Technology Bureau among other local authorities to launch the debut version of the *Goodbaby Future Scientist Competition*. The competition aimed to encourage curiosity and creativity in science among local youth, and to promote science education. The two-day event saw more than 2,500 young people in the city participate in six major competitions.


The Group also planned for the expansion of the Goodbaby Science Education Exhibition by constructing a science and technology museum near the completed product showroom, to demonstrate the advanced applications and future outlook of science and technologies for youth.

In line with the Group's mission to care for children and give back to the community, CYBEX launched the *CYBEX Skill for Life* program in Bayreuth, Germany, its regional headquarters. The program aims to encourage young people to gain life experience through participation in the game of basketball, and to help them better navigate their future. The first phase of the program focused on local communities in Bayreuth, and 100,000 euros was invested in a series of basketball camps and the development of potential partners. By the end of 2023, more than 400 youngsters of different age levels had participated in the program.

The CYBEX brand will continue to invest in the program, promoting it to more cities and community clubs by expanding its partner network and encouraging employee participation, with the aim of creating even greater social value.

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The Group has continued to work with charitable foundations and partners to provide targeted donations that help address the needs of economically constrained families for childcare products.

- In 2023, through our charity partner the Expat Centre, we provided supplies for children that included 30,000 diapers and wet wipes among other urgently needed items, with a total value of about RMB135,000.

- On 21 July 2023, the Group donated 20 computers to students from underprivileged families in rural western China in collaboration with the Charitable Foundation of Cicely Language Center, and initiated discussions on the prospect of providing employment and career development opportunities.

- On 15 November 2023, the Group partnered with the China Soong Ching Ling Foundation to launch a public campaign under the theme *Born for and Motivated by Love*. This saw it donate children's necessities such as wet wipes, milk bottles, diapers and body lotions valued at RMB80,000 to children's welfare organisations in Shanghai.

- In December 2023, we donated emergency supplies such as down jackets and antibacterial cotton valued at RMB187,600 to children in the earthquake-stricken areas of Gansu Province in the PRC, to help tide them over their immediate difficulties.

During the Reporting Period, the CYBEX brand continued its support for Women Shelter, a social organization that focuses on sheltering women and children from domestic violence. CYBEX provided goods to affected females and their families in need through an annual fundraising campaign, including IT equipment for training and education and 20,000 euros in cash donations. CYBEX also provided a total of 30,000 euros worth of goods to Ukraine and Israel to support children and families there suffering from the ravages of war.

PROMOTING GREEN LIFESTYLES

In 2023, Goodbaby International continued to advocate and promote a low-carbon environmentally friendly green lifestyle among its employees. We organized activities that included Vegetarian Day and healthy cycling activities, and encouraged internal sharing on energy conservation and waste recycling to drive greater employee participation in a healthy and low-carbon lifestyle. During the year, over 2,930 employees participated in these activities, and their collective green actions helped reduce our carbon emissions by the equivalent of 9,000 kg of CO_2.

SHARED RESPONSIBILITY FOR COMMUNITY BUILDING

The Evenflo brand implements the Volunteer Time Off Policy in North America, which encourages employees to support local communities through volunteer activities. Employees can volunteer to serve a charitable organization during paid company time for up to 20 hours per calendar year. During the year, Evenflo launched a Volunteer Month campaign, which saw each of our operating locations organize a volunteer event for employees in April and give appropriate training to participants. During the month, Evenflo partnered with local social organizations such as Young Lives Boston, Bethany Hill House, Classroom Central, Food4Kids and Colina De Luz (Mexico), with a total of 40 Evenflo employees from the United States, Canada, and Mexico participating in the volunteer activities.

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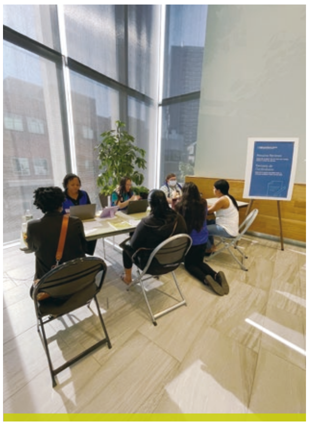
Annual Charity Golf Event

On 20 September 2023, Evenflo once again hosted its annual charity golf outing. The event raised a total of USD 36,252 in donations for three organizations, namely Make-A-Wish, Dayton Children's and Hannah's Treasure Chest, all of which help children and families in need.

In March 2023, we supported the Shoes 4 the Shoeless Initiative for underprivileged children in Southwestern Ohio in the US, providing them with brand new shoes and socks through school deliveries. Five Evenflo employees gave 15 hours of volunteer service to the project, which benefited around 215 children.

In October 2023, Evenflo supported Bridges to Moms, a charity programme initiated by Brigham and Women's Hospital in the US, helping hundreds of underprivileged women at the pregnancy and childbirth stages by providing volunteer services for tasks such as CV editing.



CYBEX continued its annual traditional Christmas project with local charity organisation Bayreuther Tafel, arranging for its its staff to deliver gifts to about 145 children in need.

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APPENDIX I. LIST OF APPLICABLE MATERIAL LAWS AND REGULATIONS

Scopes	Applicable Material Laws and Regulations
Emissions Management	
	The PRC:
	• Environmental Protection Law of the People's Republic of China
	• Law of the People's Republic of China on Environmental Impact Assessment
	• Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution
	• Water Pollution Prevention and Control Law of the People's Republic of China
	• Measures for Pollutant Discharge Permitting Administration (For Trial Implementation)
	• Laws of the People's Republic of China on Noise Pollution Prevention and Control
	• Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste
	• Measures for Pollutant Discharge Permitting Administration
	• Regulations of Jiangsu Province on Atmospheric Pollution Prevention and Control
	• Measures for the Transfer of Hazardous Wastes
	• Measures for the Administration of Permit for Operation of Dangerous Wastes
	• Regulations of Jiangsu Province on Prevention and Control of Environmental Noise Pollution
	• Regulations of Jiangsu Province on the Prevention and Treatment of the Environmental Pollution by Solid Wastes
	• Department of Ecology and Environment of Jiangsu Province: Notice on Strengthening the Monitoring and Management of the Current Situation of Environmental Impact Assessment (江蘇省生態環境廳《關於加強環境影響評價現狀監測管理的通知》)
	• Standard for Fugitive Emission of Volatile Organic Compounds (GB 37822-2019)
	• Measures of Jiangsu Province for the Administration of Prevention and Control of Volatile Organic Compounds Pollution (《蘇省揮發性有機物污染防治管理辦法》)
	• Jiangsu Province: Volatile Organic Compounds Special Treatment Work Plan 2020 (《江蘇省2020年揮發性有機物專項治理工作方案》)
	Germany:
	• Federal Immission Control Law
	• Federal Immission Control Ordinance
	• Climate Action Act
	• Renewable Energy Sources Act
	The U.S.:
	• U.S. Clean Air Act
	• Resource Conservation and Recovery Act
	• U.S. Clean Water Act
	Mexico:
	• General Law on the Prevention and Comprehensive Management of Waste

Scopes	Applicable Material Laws and Regulations
Use of Resources	
	The PRC: • Energy Conservation Law of the People's Republic of China • Regulations of Jiangsu Province on Conserving Energy • Renewable Energy Law of the People's Republic of China • Cleaner Production Promotion Law of the People's Republic of China • Electric Power Law of the People's Republic of China • Regulations on the Protection of Power Facilities • Regulations of Jiangsu Province on Electric Power • Measures for the Administration of Electricity Conservation (《節約用電管理辦法》) • Water Law of the People's Republic of China • Regulations of Jiangsu Province on Water Resources Management (《江蘇省水資源管理條例》) • Regulations of Jiangsu Province on Water Conservation (《江蘇省節約用水條例》) • The 14th Five-Year National Clean Production Implementation Plan (《十四五全國清潔生產推行方案》) ***Germany:*** • Circular Economy Act • Packaging Act • Electrical and Electronic Equipment Act • Energy Industry Act • Energy Consumption Reduction Ordinance for Non-Residential Buildings • Federal Water Resources Act • Federal Nature Conservation Act ***The U.S.:*** • U.S. Energy Independence and Security Act of 2007 • U.S. Energy Policy Act of 2005 ***Mexico:*** • National Water Law

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Scopes	Applicable Material Laws and Regulations
Employment	
	The PRC: • Labor Law of the People's Republic of China • Employment Contract Law of the People's Republic of China • Regulation on the Implementation of the Employment Contract Law of the People's Republic of China • Provisions of the State Council on Working Hours of Employees (《國務院關於職工工作時間的規定》) • Regulation on Paid Annual Leave for Employees • Implementation Measures for Paid Annual Leave for Employees of Enterprises • Provisions on Minimum Wages • Interim Regulations on Wage Payment (《工資支付暫行規定》) • Regulations of Jiangsu Province on Wage Payment • Trade Union Law of the People's Republic of China • Social Insurance Law of the People's Republic of China • Interim Regulation on the Collection and Payment of Social Insurance Premiums • Regulation on the Administration of Housing Accumulation Funds • Regulation on Work-Related Injury Insurance • Regulations on Unemployment Insurance • Regulations of Jiangsu Province on the Collection and Payment of Social Insurance Premiums (《江蘇省社會保險費征繳條例》) • Interim Provisions on Labor Dispatch • Special Rules on the Labor Protection of Female Employees • Special Provisions of Jiangsu Province on the Labor Protection for Female Employees (《江蘇省女職工勞動保護特別規定》) • Provisions on the Administration of the Employment of Foreigners in China • Interim Measures for the Participation in Social Insurance of Foreigners Employed in China • Provisions on Medical Period for Sickness or Non-Work-Related Injury of Enterprise Employees (《企業職工患病或非因工負傷醫療期規定》) • Implementation Plan of Jiangsu Province on Improving Birth Policies to Promote the Long-Term Balanced Development of Population (《江蘇省關於優化生育政策促進人口長期均衡發展實施方案》) ***Germany:*** • German Civil Code • Germany Minimum Wage Legislation • German Social Code • German Labor Protection Act • Working Hours Act • Federal Vacation Act • Occupational health and safety law • Dismissal Protection Act • General Equal Treatment Act • Works Constitution Act • Maternity Protection Act • Part-Time and Fixed-Term Employment Act • Posted Workers Act • German Commercial Code (HGB) – regulates non-competition clauses ***The U.S.:*** • Federal employment laws • U.S. Occupational Safety and Health Act • Trafficking Victims Protection Act ***Mexico:*** • Mexican Federal Labor Law

Scopes	Applicable Material Laws and Regulations
Workplace Environment and Occupational Health Management	
	The PRC: • Production Safety Law of the People's Republic of China • Administrative Measures for Work Safety Training • The Administrative Regulations on the Work Safety of Construction Projects • Interim Measures for the Supervision and Administration of "Three Simultaneities" for Safety Facilities of Construction Projects • Regulation on Emergency Responses to Work Safety Accidents • Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases • Measures for the Supervision and Administration of "Three Simultaneities" of Facilities for the Prevention and Control of Occupational Diseases of Construction Projects • Regulation of Jiangsu Province on Work Safety • Regulations of Jiangsu Province on the Prevention and Treatment of Occupational Diseases (《江蘇省職業病防治條例》) • Notice of Jiangsu Provincial Safety Supervision Bureau on the Implementation of the "Measures for the Supervision and Administration of 'Three Simultaneities' of Facilities for the Prevention and Control of Occupational Diseases of Construction Projects" (《江蘇省安監局關于貫徹落實〈建設項目職業病防護設施「三同時」監督管理辦法〉的通知》) • Provisions on the Supervision and Administration of Occupational Health at Workplaces • Measures for the Supervision and Administration of Employers' Occupational Health Surveillance – Order No. 49 of the State Administration of Work Safety • Measures for the Administration of Occupational Health Checks – Order No. 2 of the National Health and Family Planning Commission ***Germany:*** • Occupational Safety and Health Act • Occupational Safety Act • Ordinance on Industrial Safety and Health • Workplace Ordinance • Hazardous Substances Ordinance • Noise and Vibration Occupational Health and Safety Ordinance • Maternity Protection Act • Display Screen Equipment Ordinance • Ordinance on Occupational Health Care ***The U.S.:*** • U.S. Occupational Safety and Health Act
Prevention of Child and Forced Labor	
	The PRC: • Employment Contract Law of the People's Republic of China • Law of the People's Republic of China on the Protection of Minors • Civil Code of the People's Republic of China • Provisions on the Prohibition of Using Child Labor • Criminal Law of the People's Republic of China • Measures for Lump-sum Compensation to the Disabled or Deceased Employees of Entities Involving Illegal Employment ***Germany:*** • German Civil Code • German Social Code • German Criminal Code • Protection of Minors at Work Act • Child Labor Protection Ordinance • Act to Combat Undeclared Work and Unlawful Employment • Supply Chain Act • Act against Restraints of Competition ***The U.S.:*** • Fair Labor Standards Act

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Scopes	Applicable Material Laws and Regulations
Product Responsibilities	
	The PRC: • Trademark Law of the People's Republic of China • Regulation on the Implementation of the Trademark Law of the People's Republic of China • Provisions on the Determination and Protection of Well-known Trademarks • Copyright Law of the People's Republic of China • Regulation on the Implementation of the Copyright Law of the People's Republic of China • Patent Law of the People's Republic of China • Regulation on the Implementation of the Patent Law of the People's Republic of China • Anti-Unfair Competition Law of the People's Republic of China • Regulations of Jiangsu Province on the Promotion and Protection of Intellectual Property Rights (《江蘇省知識產權促進和保護條例》) • Product Quality Law of the People's Republic of China • Provisions on the Management of Enterprise Product Standards (《企業產品標準管理規定》) • Interim Measures for the Administration of Supervisory Spot Checks on Product Quality • Measures of Jiangsu Province for Product Quality Supervision • Law of the People's Republic of China on the Protection of Consumer Rights and Interests • Cyber Security Law of the People's Republic of China • E-Commerce Law of the People's Republic of China • Personal Information Protection Law of the People's Republic of China • Passport Law of the People's Republic of China • Law of the People's Republic of China on Resident Identity Cards • Advertising Law of the People's Republic of China • Provisions on the Scope of Necessary Personal Information Required for Common Types of Mobile Internet Applications • Regulations of Jiangsu Province on the Protection of Consumers' Rights and Interests ***Germany:*** • European Union General Data Protection Regulation • Patent Act • Utility Model Act • Trademark Act • Design Act • Trade Secret Act • Copyright Act • IT Security Act • Product Safety Act • EU General Product Safety Directive • EU Consumer Rights Directive • German Product Liability Act • Electrical and Electronic Equipment Act ***The U.S.:*** • U.S. Patent Reform Act • Consumer Product Safety Improvement Act • Federal copyright statutes • Federal patent statutes • Federal and state trademark laws • Federal and state defend trade secrets laws • Federal Motor Vehicle Safety Standard 213 (FMVSS 213) • Safety Standard for Hand-Held Infant Carriers (ASTM F2050-19) • Juvenile Products Manufacturers Association protocols

Scopes	Applicable Material Laws and Regulations
Anti-Bribery and Corruption	
	The PRC: • Anti-Unfair Competition Law of the People's Republic of China • Anti-Money Laundering Law of the People's Republic of China • Interim Provisions on Banning Commercial Bribery Upon the Order of the State Administration for Industry and Commerce of the People's Republic of China • Measures of Jiangsu Province for the Implementation of the "Anti-Unfair Competition Law of the People's Republic of China" (《江蘇省實施〈中華人民共和國反不正當競爭法〉辦法》) ***HKSAR, the PRC:*** • Prevention of Bribery Ordinance ***Germany:*** • German Criminal Code • Act on Administrative Offences • Act Against Restraints of Competition • Money Laundering Act • Foreign Trade and Payments Act ***The U.S.:*** • Foreign Corrupt Practices Act

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APPENDIX II: HKEX ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, Disclosures and KPIs	Description	Sections/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to exhaust gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Appendix I Part 7 > Continuous Improvements in Waste and Emissions Controls
KPI A1.1	The types of emissions and respective emissions data.	Part 7 > Environmental Management
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) GHG emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Part 7 > Energy Consumption and GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Part 7 > Environmental Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Part 7 > Environmental Management
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Part 2 > Sustainable Development Strategy Part 7 > Energy Consumption and GHG Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken.	Part 2 > Sustainable Development Strategy Part 7 > Environmental Management
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Part 7 > Environmental Management; Energy Consumption and GHG Emissions
KPI A2.1	Direct and/or indirect energy consumption by type in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Part 7 > Energy Consumption and GHG Emissions
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Part 7 > Energy Consumption and GHG Emissions
KPI A2.3	Description of energy use efficiency target(s) and steps taken to achieve them.	Part 2 > Sustainable Development Strategy Part 7 > Energy Consumption and GHG Emissions
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Part 7 > Environmental Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Part 7 > Environmental Management
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Part 7 > Risk Management and Compliance; Environmental Management; Energy Consumption and GHG Emissions Part 3> Innovation Anchored in Design
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Part 3 > Innovation Anchored in Design Part 7 > Risk Management and Compliance; Environmental Management; Energy Consumption and GHG Emissions

Subject Areas, Aspects, Disclosures and KPIs	Description	Sections/Declaration
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Part 2 > Sustainable Development Strategy Part 7 > Energy Consumption and GHG Emissions
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Part 7 > Energy Consumption and GHG Emissions
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Appendix I Part 8 > Respecting and Protecting Rights and Interests
KPI B1.1	Total workforce by gender, employment type (e.g. full- or part-time), age group and geographical region.	Part 8 > Respecting and Protecting Rights and Interests
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Part 8 > Respecting and Protecting Rights and Interests
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Appendix I Part 8 > Production Safety and Occupational Health
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years, including the reporting year.	Part 8 > Production Safety and Occupational Health
KPI B2.2	Lost days due to work injury.	Part 8 > Production Safety and Occupational Health
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Part 8 > Production Safety and Occupational Health
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Part 8 > Communication and Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Part 8 > Communication and Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	Part 8 > Communication and Development
Aspect B4: Labor Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	Appendix I Part 8 > Respecting and Protecting Rights and Interests
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	Part 8 > Respecting and Protecting Rights and Interests
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Part 8 > Respecting and Protecting Rights and Interests

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Subject Areas, Aspects, Disclosures and KPIs	Description	Sections/Declaration
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Appendix I Part 5 > Supply Chain Principles
KPI B5.1	Number of suppliers by geographical region.	Part 5 > Partnerships for Supply Resilience
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Part 5 > Supply Chain Principles
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Part 5 > Supply Chain Principles; Building a Sustainable Supply Chain
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Part 3 > Innovation Anchored in Design Part 5 > Building a Sustainable Supply Chain
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Appendix I Part 3 > Innovation Anchored in Design Part 4 > Standards-defined Quality; Quality Embedded in Corporate Culture Part 6 > Protecting Information Security
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Part 6 > Customer Engagement and Feedback
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Part 6 > Customer Engagement and Feedback
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Part 3 > Innovation Assured by Culture and System
KPI B6.4	Description of quality assurance process and recall procedures.	Part 4 > System-enabled Reliability Part 6 > Customer Engagement and Feedback
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Part 6 > Protecting Information Security
Aspect B7: Anti-Corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Appendix I Part 2 > Business Ethics and Corporate Conduct
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Part 2 > Business Ethics and Corporate Conduct
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Part 2 > Business Ethics and Corporate Conduct
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Part 2 > Business Ethics and Corporate Conduct
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Part 9 > Caring for Children, Giving Back to The Community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Part 9 > Caring for Children, Giving Back to The Community
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Part 9 > Caring for Children, Giving Back to The Community

APPENDIX III. STAKEHOLDER ENGAGEMENT CHANNELS AND MATERIAL TOPICS OF INTEREST

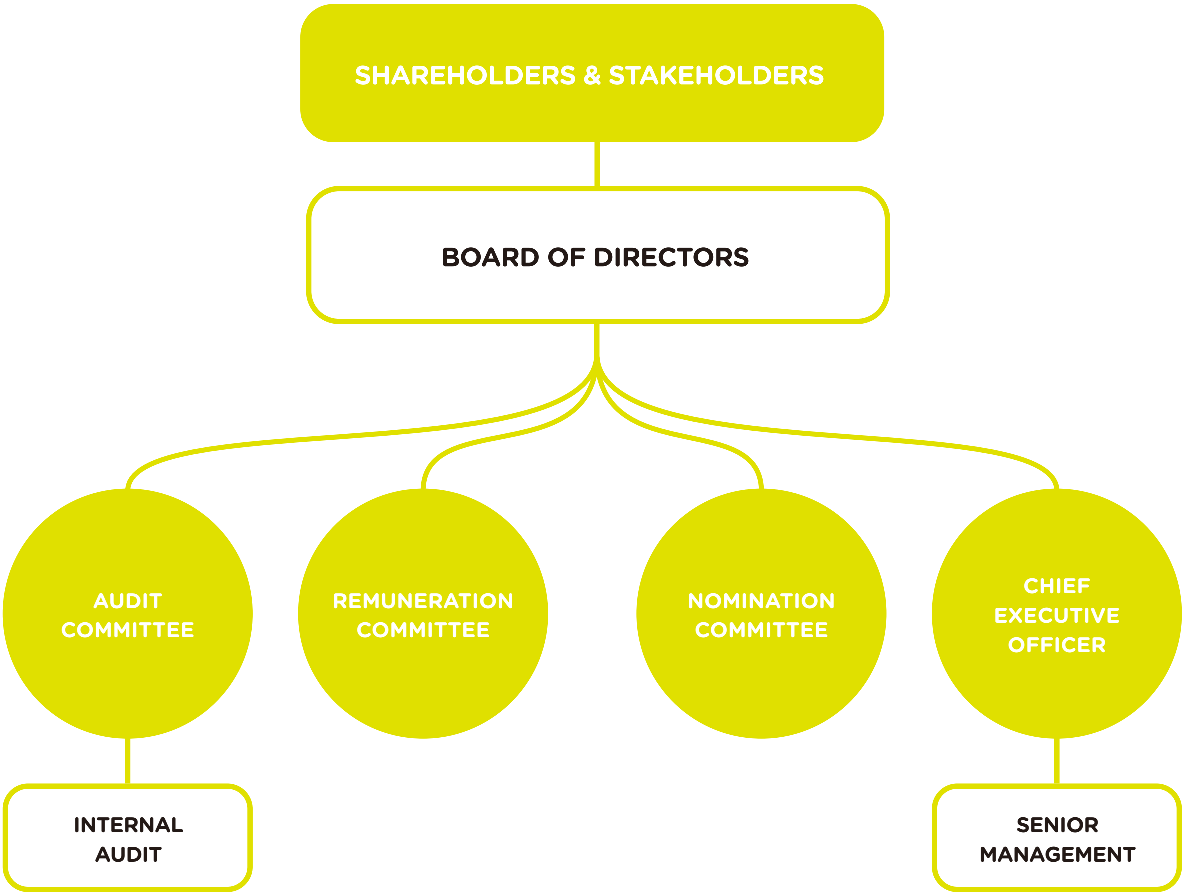
Stakeholder Group	Material Topics of Interest	Communication Channels
Employees	• Compensation and welfare • Employee training and development • Work intensity and health • Equal opportunity • Feedback mechanism	• Face-to-face interviews • Internal emails • Corporate WeChat Accounts • Internal trainings and feedback • Team building and HR activities
Shareholders/Investors	• Research innovation • Product quality and safety • Board effectiveness • Feedback mechanism • Compliance with laws and regulations • Compensation and welfare	• Annual General Meeting/Investor meetings • Results announcements • Public announcements/Press releases • Investor relation emails/telephone inquiries
Governments/Regulatory authorities	• Production safety • Waste management • Circular economy • Compliance with laws and regulations • Work intensity and health • Product quality and safety • GHG emissions	• Onsite due diligence • Face-to-face meetings • Written replies and reports
Suppliers	• Product quality and safety • Compliance with laws and regulations • Feedback mechanism • Anti-bribery and anti-corruption	• Onsite due diligence • Routine and annual supplier reviews • Supplier conference • Daily business communications and feedback
Distribution Channels	• Product quality and safety • Customer service • Compliance with laws and regulations • Responsible marketing • Anti-bribery and anti-corruption • Packaging materials	• New product R&D and introduction • Written reports/emails • Onsite due diligence • Daily business communications and feedback
Consumers	• Product quality and safety • Customer service • Research innovation • Privacy and data security • Responsible marketing • Product carbon footprint	• Corporate website • Physical retail stores • WeChat and other social media official accounts • Consumer hotlines • Customer service and surveys
Customers/Clients	• Product quality and safety • Customer service • Research innovation • Compliance with laws and regulations • Anti-bribery and anti-corruption • Product carbon footprint • Packaging materials • GHG emissions • Supply chain labor standards • Supply chain business ethics	• Daily business communications and feedback • Industry exhibitions/sales events • Qualification audit and onsite due diligence • Client satisfaction survey
Social Communities	• Community relations • Production safety • Feedback mechanism • Waste management	• Community building activities • Funding and project cooperation with social organizations

Corporate Governance Report

CORPORATE GOVERNANCE REPORT

The board (the "Board") of directors (the "Directors") is pleased to present this corporate governance report in the annual report for the year ended 31 December 2023. The manner in which the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") are applied and implemented, as explained in the following sections of this corporate governance report:

CORPORATE GOVERNANCE STRUCTURE AND PRACTICES



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards. It believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the rights and interests of shareholders of the Company ("Shareholder(s)") and formulate its business strategies and policies as well as to enhance corporate value and to enhance transparency and accountability.

Corporate governance is the process by which the Board instructs management of the Company to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to shareholders;
- that the interests of those who deal with the Company are safeguarded;
- that overall business risk is understood and managed appropriately;
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high standards of ethics are maintained.

The Board is of the view that throughout the year ended 31 December 2023, the Company has complied with all the code provisions and certain recommended best practices in the CG Code.

The Company is committed to enhancing its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with the CG Code and align with the latest developments.

LEADERSHIP

The Board oversees the Company's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company. The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsible for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of Executive Directors and Non-executive Directors (including Independent Non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

BOARD COMPOSITION

During the year, the Board comprises eleven Directors, consisting of five Executive Directors, two Non-executive Directors and four Independent Non-executive Directors, as follows:

Executive Directors

Mr. SONG Zhenghuan *(Chairman)*
Mr. LIU Tongyou *(Chief Executive Officer)*
Mr. Martin POS
Mr. XIA Xinyue *(resigned on 29 February 2024)*
Mr. Michael Nan QU

Non-executive Directors

Ms. FU Jingqiu
Mr. HO Kwok Yin, Eric

Independent Non-executive Directors

Ms. CHIANG Yun *(Chairlady of audit, nomination and remuneration committees)*
Mr. SHI Xiaoguang *(member of audit, nomination and remuneration committees)*
Mr. JIN Peng
Mr. SO Tak Young *(member of audit, nomination and remuneration committees)*

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 25 to 33 of this annual report.

Ms. FU Jingqiu, non-executive Director, is the spouse of Mr. SONG Zhenghuan, the Chairman and executive Director of the Company. Save as disclosed above, there is no relationships (including financial, business, family or other material/relevant relationship(s)) between the Board members and in particular, between the Chairman and the Chief Executive Officer.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of Chairman of the Company ("Chairman") and Chief Executive Officer of the Company ("CEO") are held by Mr. SONG Zhenghuan and Mr. LIU Tongyou respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The CEO focuses on the Company's business development and daily management and operations generally. Their respective responsibilities are clearly defined and set out in writing.

NON-EXECUTIVE DIRECTORS

Non-executive Directors serve the relevant function of bringing independent judgment on the development and performance, etc. of the Group. They have the same duties of care and skills and fiduciary duties as executive Directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2023, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has reviewed the independence of each of the independent non-executive Directors in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

POLICY ON INDEPENDENCE OF DIRECTORS

The Board has mechanisms to ensure independent views and input are available to the Board, and during the year ended 31 December 2023, such mechanisms had been codified into a Policy on Independence of Directors, which provided, among others:

- Criteria for evaluating the independence of non-executive Directors (or a person proposed to be appointed as an independent non-executive Director), which are no less than the standards set under Rule 3.13 of the Listing Rules which the Stock Exchange would normally take into account when accessing the independence of a non-executive director; and

- Reiterating the disclosure requirements when an independent non-executive Director who has served for more than nine years is proposed to be re-elected at a forthcoming annual general meeting of the Company.

Upon a review on the said Policy on Independence of Directors, the Board was of the view that the mechanisms therein remained effective and has been effectively implemented.

CORPORATE GOVERNANCE REPORT

DIRECTORS' SECURITIES TRANSACTIONS

The Company 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. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2023. The Company has also established a code of conduct no less exacting than the Model Code (the "Employees Code of Conduct") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Code of Conduct by the employees was noted by the Company.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Directors take decisions objectively in the interests of the Company. The Board has delegated to the CEO, and through him, to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established board committees and has delegated to these board committees various responsibilities as set out in their respective terms of reference.

The Board reserves for its decision in all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company as well as the services and advice of the company secretary of the Company ("Company Secretary") and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors have disclosed to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company. The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant. Every newly appointed Director will receive a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internal briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate.

All Directors are encouraged to attend relevant training courses at the Company's expenses. During the year ended 31 December 2023, all Directors have provided the Company with a record of the training they received on a half yearly basis, and such records were maintained by the Company. The training record of each Director during the year ended 31 December 2023 is set out in the table below:

Name of Directors	Hours of Training in 2023
SONG Zhenghuan	3
LIU Tongyou	3
Martin POS	3
XIA Xinyue *(resigned on 29 February 2024)*	3
Michael Nan QU	3
FU Jingqiu	3
HO Kwok Yin, Eric	3
CHIANG Yun	5
SHI Xiaoguang	5
JIN Peng	5
SO Tak Young	5

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Code provision B.2.2 of the CG Code stipulates that every directors, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years, subject to renewal after the expiry of the then current term.

Each of the executive Directors has entered into a service contract/signed an appointment letter with the Company and is appointed for a specific term of three years unless terminated by not less than three months' notice in writing served by either the executive Director or the Company. The non-executive Directors and each of the independent non-executive Directors has signed an appointment letter with the Company and is appointed for a specific term of three years.

The appointment of all Directors are subject to the provisions of retirement and rotation of Directors under the Company's articles of association ("Articles of Association"). In accordance with the Articles of Association, all Directors of the Company are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy shall submit himself/herself for re-election by Shareholders at the first general meeting after appointment. Any new Director appointed as an addition to the Board shall submit himself/herself for re-election by Shareholders at the first general meeting after appointment.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The nomination committee of the Company ("Nomination Committee") is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

CORPORATE GOVERNANCE REPORT

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of senior management of the Group. Details of the remuneration of each of the Directors of the Company for the year ended 31 December 2023 are set out in note 9 to the financial statements.

Pursuant to code provision E.1.5 of the CG Code, the remuneration payable to members of senior management by band for the year ended 31 December 2023 is set out below:

Remuneration bands (HK$)	Number of persons
HK$1,000,001 to HK$2,000,000	–
HK$2,000,001 to HK$3,000,000	–
over HK$3,000,001	3

COMPANY SECRETARY

Ms. HO Wing Tsz, Wendy has been appointed as the Company Secretary since 5 September 2022. Ms. HO Wing Tsz, Wendy is an executive director of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

The Company Secretary's biography is set out in the section headed "Directors and Senior Management" on pages 25 to 33 of this annual report. For the year ended 31 December 2023, the Company Secretary has undertaken over 15 hours of the relevant professional training in compliance with Rule 3.29 of the Listing Rules.

All Directors have access to the advice and services of the Company Secretary on corporate governance and board practices and matters. Ms. WANG Qi, Vice President Group Legal & Compliance of the Company has been designated as the primary contact person at the Company which would work and communicate with the Company Secretary on the Company's corporate governance and secretarial and administrative matters.

BOARD COMMITTEES

The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specified written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request. All members of each Board committee are independent non-executive Directors. A list of the chairperson and members of each Board committee is set out under "Corporate Information" on pages 2 to 4 of this annual report.

AUDIT COMMITTEE

During the year ended 31 December 2023, the audit committee of the Company ("Audit Committee") consists of the following independent non-executive Directors, namely Ms. CHIANG Yun, Mr. SHI Xiaoguang and Mr. SO Tak Young. Ms. CHIANG Yun is the Chairlady of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

Pursuant to code provision D.3.2 of the CG Code, a former partner of an issuer's current auditing firm shall be prohibited from acting as a member of its audit committee member for a period of two years from the date the person ceasing to be a partner or have any financial interests in such auditing firm. The Company has adopted a revised terms of reference of the Audit Committee to reflect the requirement since 14 December 2018 with an effort to keep abreast of the latest development of the CG Code.

The Audit Committee held two meetings on 27 March 2023 and 30 August 2023 respectively, to review the annual financial results and report for the year ended 31 December 2022, and interim financial results and report for the six months ended 30 June 2023 as well as significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems, appointment of external auditors, continuing connected transactions and arrangements for employees to raise concerns about possible improprieties. During the year ended 31 December 2023, the Audit Committee also met the external auditors twice without the presence of the executive Directors.

REMUNERATION COMMITTEE

During the year ended 31 December 2023, the remuneration committee of the Company ("Remuneration Committee") consists of the following independent non-executive Directors, namely Ms. CHIANG Yun, Mr. SHI Xiaoguang and Mr. SO Tak Young. Ms. CHIANG Yun is the Chairlady of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include determining/reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skills, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of executive Directors are also determined with reference to the Company's performance and profitability, the prevailing market conditions and the performance or contribution of each executive Director. The remuneration for the executive Directors comprises basic salary, pensions and discretionary bonus. Executive Directors may receive options to be granted under the Company's share option scheme. The remuneration policy for non-executive Directors and independent non-executive Directors is to ensure that non-executive Directors and independent non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in Board committees. The remuneration for the non-executive Directors and independent non-executive Directors mainly comprises Director's fee which is determined with reference to their duties and responsibilities by the Board. Individual Directors and senior management have not been involved in deciding their own remuneration.

The Remuneration Committee held a meeting on 27 March 2023 to review and make recommendation to the Board on the remuneration policy and the remuneration packages of executive Directors and senior management for 2023 as well as other related matters. The Remuneration Committee also made recommendations to the Board on the terms of service agreement and proposed updates to the terms of reference of the Remuneration Committee.

NOMINATION COMMITTEE

During the year ended 31 December 2023, the Nomination Committee consists of the following independent non-executive Directors, namely Ms. CHIANG Yun, Mr. SHI Xiaoguang and Mr. SO Tak Young. Ms. CHIANG Yun is the Chairlady of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors. External recruitment professionals might be engaged to carry out recruitment and selection process when necessary.

CORPORATE GOVERNANCE REPORT

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

The Nomination Committee held a meeting on 27 March 2023 to review the structure, size and composition of the Board, the independence of the independent non-executive Directors, and to consider the qualifications of the retiring directors standing for election at the annual general meeting. The Nomination Committee also proposed updates to the term of reference of Nomination Committee. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

GENDER DIVERSITY

The Company values gender diversity across all levels of the Group. As at 31 December 2023, one third of the Group's senior management are female and the Board also comprises male and female Directors. For details of the Group's Directors and senior management, please refer to pages 25 to 33 in section headed "Directors & Senior Management" in this report. Details on the gender ratio of the Group together with relevant data can be found on page 107 in the Environmental, Social and Governance Report.

Taking into account the Group's business model and specific needs from time to time, and that the Board comprises male and female members, the gender diversity target of the Board has generally been achieved and adhered to. The Board is mindful of the measurable objectives in the Board Diversity Policy which include gender diversity for assessing potential candidates of Board members, and will continue to ensure any successors to the Board shall follow the gender diversity as well as other measurable objectives in the Board Diversity Policy. Similar considerations shall also be made for assessing potential candidates of the senior management team from time to time.

As at 31 December 2023, the number of male and female in the workforce (including the Directors and senior management) was approximately 2,716 and 3,565 respectively.

As such, the Company's workforce has achieved gender diversity between males and females. The Company shall continue to take into account diversity perspectives including gender diversity in its hiring of employees and assessment of potential successors to the Board and the senior management team from time to time.

DIRECTOR NOMINATION POLICY

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee.

The Company has adopted a director nomination policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level, via written resolutions passed by the Directors on 14 December 2018.

The Company shall appoint independent non-executive Directors representing at least one-third of the Board. The Nomination Committee should assess the independence of the independent non-executive Directors taking into account the factors set out in Rule 3.13 of the Listing Rules. The Nomination Committee will conduct regular review on the structure, size and composition of the Board and this Policy and where appropriate, make recommendations on change to the Board to complement the Company's corporate strategy and business needs.

The Nomination Committee would consider the character and integrity, potential contributions in terms of qualifications, skills, experience, independence and diversity, and other perspectives that are appropriate to the Company's business and succession as the criteria for selecting candidate for directorship.

For appointment of new director, the Nomination Committee should evaluate the candidates based on the criteria as set out in the nomination policy, rank them by order of preference based on the needs of the Company and recommend the appropriate candidate to the Board for appointment. For any person that is nominated by a Shareholder for election at the general meeting, the Nomination Committee should also evaluate the candidates based on the criteria and make recommendation to Shareholders in respect of the proposed election of director at the general meeting.

For re-election of Director at general meeting, the Nomination Committee should review the overall contribution and services to the Company of the retiring Director and the level of participation and performance on the Board and whether the retiring Director continues to meet the criteria as set out in the nomination policy. The Nomination Committee should then make recommendation to Shareholders in respect of the proposed re-election of director at the general meeting. Where the Board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate should be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

BOARD DIVERSITY POLICY

The Company has amended the board diversity policy, which were adopted on 23 August 2013, setting out the approach to achieve diversity of the Board via written resolutions passed by the Directors on 14 December 2018. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage and corporate governance.

The Nomination Committee has primary responsibility for identifying individuals suitably qualified to become members of the Board and selecting, or making recommendations to the Board on the selection of, individuals nominated for directorships. In assessing potential candidates for the Board, the Nomination Committee will consider the diversity perspectives in accordance with the board diversity policy adopted by the Company, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Company aims to maintain an appropriate balance of diversity perspective of the Board that are relevant to the Company's business growth.

The Nomination Committee will review the board diversity policy as appropriate and recommend revisions, if any, to the Board for consideration and approval. The Nomination Committee had conducted a review of the implementation and effectiveness of the board diversity policy in respect of the year ended 31 December 2023. In forming its perspective on diversity, the Company will also take into account factors based on its own business model and specific needs from time to time. Upon conducting its review, the Nomination Committee was of the view that board diversity has been achieved and the Board has an appropriate mix of skills, experience and diversity taking into account factors such as gender, educational background, age, skills and experience of the Directors, which can be found in the "Directors and Senior Management" section of this report, in the context of the Group's own business model and specific needs from time to time.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties as set out in the Corporate Governance Functions of the Board adopted by the Company including:

- to develop and review the Company's policies, procedures and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review the effectiveness of the risk management and internal control system on an ongoing basis and to remedy material internal control weaknesses;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- to review the adequacy of resources, competency of employees, training programs and budget of the Company's accounting, internal audit and financial reporting functions;
- to review on the compliance of the Model Code and the Employees Code of Conduct; and
- to review the Company's compliance with the CG Code and disclosure in the corporate governance report in the annual report of the Company.

The Board may delegate the corporate governance duties to a committee of the Board.

The Board's annual review of the Company's corporate governance practices for the year ended 31 December 2023 has covered the aforesaid matters.

THE COMPANY'S CULTURE, PURPOSE, VALUES AND STRATEGY

The Board has established its vision, mission, values and strategy and is satisfied that these are aligned with the Company's culture. For details, please refer to the section headed "Environmental, Social and Governance Report – Part 2: ESG Strategy and Oversight – Company Culture" in this annual report.

BOARD MEETINGS

BOARD PRACTICES AND CONDUCT OF MEETINGS

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Regular Board meetings are held involving active participation, either in person or through electronic means of communication, of a majority of Directors. Notice of regular Board meetings is served to all Directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

Where necessary, the senior management attend regular Board meetings and other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board committee meetings and the general meeting of the Company held during the year ended 31 December 2023 is set out in the table below:

	Attendance/Number of Meetings in 2023				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meeting**
Executive Directors					
SONG Zhenghuan	4/4	N/A	N/A	N/A	1/1
LIU Tongyou	4/4	N/A	N/A	N/A	1/1
Martin POS	4/4	N/A	N/A	N/A	0/1
XIA Xinyue *(resigned on 29 February 2024)*	4/4	N/A	N/A	N/A	0/1
Michael Nan QU	4/4	N/A	N/A	N/A	0/1
Non-executive Directors					
FU Jingqiu	4/4	N/A	N/A	N/A	1/1
HO Kwok Yin, Eric	4/4	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
CHIANG Yun	4/4	2/2	1/1	1/1	1/1
SHI Xiaoguang	4/4	2/2	1/1	1/1	1/1
JIN Peng	4/4	N/A	N/A	N/A	0/1
SO Tak Young	4/4	2/2	1/1	1/1	1/1

Apart from regular Board meetings, the Chairman also held a meeting solely with the independent non-executive Directors on 28 March 2023.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2023 with the support of the accounting and finance team. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 170 to 174.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges the responsibilities to oversee and safeguard the effectiveness of the risk management and internal control systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Audit Committee reviews and monitors the scope, issues, results and action plans in relation to or arising from the internal and external audits. The Audit Committee also assists the Board in fulfilling its oversight and corporate governance roles in the Company's risk management and internal controls, and the resources of the finance and internal audit functions.

The key elements of the Company's risk management and internal control systems include the following areas:

- A closed loop risk management framework that monitors and assesses risks, internal control operating environment and the execution and results of corrective actions to address on the identified risks and control deficiencies;

- An organizational structure with clearly defined and distinct lines of authority and control responsibilities;

- Approval from executive director/responsible senior executive prior to commitment on all material matters;

- A robust financial and management accounting system to provide for performance measurement indicators and to ensure compliance with relevant rules and regulations;

- Annual plans prepared by senior management on financial reporting, operations and compliance with consideration of potential opportunities and risks;

- Strict prohibition on release of confidential information;

- Appropriate policy to ensure the adequacy of resources, qualifications and experience of employees of the Company's accounting, financial reporting and internal audit functions, and their training programs and budget; and

- On an ongoing basis, review and evaluation of the adequacy and effectiveness of risk management and internal control systems and hence any enhancement implementation as appropriate.

The Company has taken the following measures annually to assess on the risk management and internal control systems and the related accountability of the management team:

1) Control Self-Assessment (CSA) – CSA is a regular, systematic and standardized approach to facilitate self-review and self-audit of the adequacy and effectiveness of internal controls across the Company at the process, business unit and corporate levels. The internal control department developed and continuously enhances the self-assessment questionnaire to identify and evaluate key control requirements based on the principles of the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Business/process owners are required to carry out self-assessment and report on the internal control status of their responsible business units under the guidance of internal control department. Corrective action plans are required to be reported by business/process owners for the identified control deficiencies. Chief executive officer and chief financial officer of the Company review the submitted self-assessment results and the corrective action plans, assess the internal control status and confirm on the overall adequacy and effectiveness of the internal control system in place.

2) Annual Risk Assessment (ARA) – ARA is a comprehensive risk analysis based on inputs from corporate executives and senior management of business units and core supporting functions to identify the strategic, operational, compliance and financial risk factors. Through the ARA process, the major risks that may impede the business from achieving its objectives are identified and the risk heat map is developed. The high-risk internal control areas identified out of the analysis are subject to be audited by the internal audit function.

During 2023, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control system of the Company. The Audit Committee and the Board were not aware of any areas of concern that would have a material impact on the Company's financial position or results of operations and considered the risk management and internal control systems to be generally effective and adequate including the adequacy of resources, employees qualifications and experience, training programs and budget of the accounting, financial reporting and internal audit functions as well as those relating to the Company's ESG performance and reporting.

In addition to the review of risk management and internal controls undertaken within the Company, the external auditor also assessed the adequacy and effectiveness of certain key risk management and internal controls as part of their statutory audits. Where appropriate, the external auditor's recommendations are adopted and enhancements to the risk management and internal controls will be made.

The Company has established a set of corporate governance policies to ensure compliance with the various rules and obligations imposed on it as a company listed on the Stock Exchange, and to improve the effectiveness of its risk management and internal control systems. Among the mentioned policies, the key policies are highlighted in the following sections.

CORPORATE GOVERNANCE REPORT

INTERNAL AUDIT FUNCTION

The Company has a professional and independent internal audit department reporting directly to the Audit Committee. Audit Committee reviews internal audit's periodic risk assessment report and approves annual audit plan and the related resource requirements. Internal control deficiencies identified by internal audit and corrective action progress update are communicated in a timely manner to management and the Audit Committee. Audit Committee has evaluated the performance of internal audit function in year 2023 and was satisfied with the effectiveness of the function.

CODE OF BUSINESS CONDUCT

We strive to be a company that embodies high ethical standards and we take steps to bolster strong business ethics in our daily operations. All employees of the Company shall comply with the Code of Business Conduct Policy. We assess the Code of Business Conduct Policy on a regular basis to ensure that it complies with the latest legal and regulatory requirements, reflects global best practices and fosters proper governance on the business activities. The Company has updated the Code of Business Conduct Policy in year 2022. It provides the guiding principles for all employees to do what is right, behave with integrity, honesty and mutual respect, treat people fairly without discrimination, obey all applicable laws, and handle matters such as inside information and share trading, business opportunities, gift, entertainment and other hospitality, environment, health and safety with a diligent and appropriate approach.

WHISTLE-BLOWING POLICY AND ANTI-CORRUPTION POLICY

The Company has executed a robust whistle-blowing mechanism to encourage employees and those who deal with the Company to report with confidence on any wrongdoing which they suspect or believe may be occurring within or related to the Company without the risk of unfair treatment or retaliation. In order to further strengthen the whistle-blowing mechanism and comply with the latest requirements of the Stock Exchange, the Company has updated the Whistle-blowing Policy in year 2022. The Audit Committee oversees execution of the Whistle-blowing Policy. The Company expects and encourages its employees, customers, suppliers and other stakeholders who have concerns about any suspected misconduct or malpractice within the Company to report on these concerns, which could facilitate risk monitoring, fraud alert and continuous improvement in internal controls. The Whistle-blowing Policy specifies reporting channels, permits anonymous reports, and protects the whistleblower from any harm or unfair treatment. The whistle-blowing mechanism has formulated standard guidelines and procedures to cover three main areas, i.e. whistle-blowing channels, case handling and investigation, reporting and follow up. The main objectives of the whistle-blowing mechanism are to ensure adequate whistle-blowing reporting channels are in place and communicated to stakeholders, protection of whistle-blower and evidence, proper execution of investigation procedures, and appropriate implementation of action plans for the reported cases and more importantly, the follow up actions to identify and remedy any relevant potential internal control deficiencies across the Company. Whistle-blowing cases, investigation results, actions taken and proposed internal control improvements shall ultimately be reported to the Audit Committee.

The Company has also in place the Anti-Corruption Policy to safeguard against corruption and bribery within the Company. The Company encourages employees of the Company and other stakeholders to report on any suspected corruption and bribery incidents. The Company endeavors to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery.

DISCLOSURE POLICY

The Company has developed its disclosure policy which provides a general guide to the Company's directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

The Company adopts an upward approach for identifying and escalating any potential inside information to the Board. The Board may resolve to designate one or more executive Directors or Chief Financial Officer to monitor and implement information of the Company. Employees of the Company must be made aware of the disclosure policy and the importance of bringing any potential inside information promptly to their immediate supervisors or the Heads of business units or departments as appropriate. Heads of business units or departments should promptly verify and assess such details reported by the staff and notify and escalate the details of any potential proposal, transaction or business development which may give rise to disclosure obligations to the Chief Financial Officer. The Chief Financial Officer shall seek professional advice (where appropriate) and report to the Board or its delegate(s) and provide them with adequate details for review and assessment of the likely impact of such proposal, transaction or business development and ascertain whether it constitutes inside information or is subject to disclosure in order to avoid a false market. The Board or its delegate(s) should review all relevant details and factors and decide whether disclosure is required and approve the relevant announcement and any further actions where applicable.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

The Connected Transaction Policy is established to provide consistent group-wide rules on the identification, assessment and approval and disclosure of connected transactions, in compliance with the rules defined in Chapter 14A of the Listing Rules.

EXTERNAL AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2023 amounted to HK$9,595,000 and HK$325,000 respectively. An analysis of the remuneration paid to the external auditors of the Company, Ernst & Young, in respect of audit services and non-audit services for the year ended 31 December 2023 is set out below:

Service Category	Fees Paid/Payable (HK$)
Audit Services	9,595,000
Non-audit Services	325,000
• Transfer pricing documentation	210,000
• Value added tax related services	115,000

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/ INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. The Chairman, non-executive Directors, independent non-executive Directors, and the chairpersons of all Board committees (or their delegates) will make themselves available at the annual general meeting to meet shareholders and answer their enquiries.

The 2024 annual general meeting ("AGM") of the Company will be held on 20 May 2024. The notice of AGM will be sent to the shareholders at least 21 days before the AGM.

To promote effective communication, the Company maintains a website at www.gbinternational.com.hk, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' COMMUNICATION POLICY

The Board has adopted a shareholders' communication policy made reference to the CG Code as contained in Appendix C1 of the Listing Rules at a board meeting held on 16 March 2014, which aims at establishing a two-way relationship and communication between the Company and its Shareholders and maintains a website at www.gbinternational.com.hk, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Information will be communicated to the shareholders through the Company's financial reports, annual general meetings and other general meetings that may be convened, as well as all the disclosures submitted to the Stock Exchange. The Board will review the Shareholders' communication policy regularly to ensure its effectiveness. The Board has conducted a review of the implementation and effectiveness of the shareholders' communication policy in respect of the year ended 31 December 2023 and, including taking into account the up-to-date information about the Company provided on various platforms such as the Company's website, the Company's financial reports published, the conducting of the Company's general meetings as well as announcements and other disclosures published by the Company during the year ended 31 December 2023, the Company confirmed that the policy has been implemented effectively.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Director. Except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, all resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules. Poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EGM (INCLUDING MAKING PROPOSAL(S)/MOVING RESOLUTION(S) AT THE EGM)

Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board of the Company or the Company Secretary, to require an extraordinary general meeting (the "EGM") to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposal(s) or moving resolution(s) at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned at the principal place of business of the Company in Hong Kong at Room 2502, 25/F., Tung Chiu Commercial Centre, 193 Lockhart Road, Wanchai, Hong Kong, for the attention of the Company Secretary.

The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted in the EGM, signed by the Eligible Shareholder(s) concerned.

The Company will check the Requisition and the identity(ies) and the shareholding(s) of the Eligible Shareholder(s) will be verified with the Company's branch share registrar in Hong Kong. If the Requisition is found to be proper and in order, the Board will be asked to convene an EGM within 2 months and/or include the proposal(s) or the resolution(s) proposed by the Eligible Shareholder(s) at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM and/or include the proposal(s) or the resolution(s) proposed by the Eligible Shareholder(s) at the EGM.

The notice period to be given to all the registered shareholders for consideration of the proposal raised by the Eligible Shareholder(s) concerned at an EGM varies according to the nature of the proposal, as follows:

- at least twenty-one (21) clear days' notice in writing if the proposal constitutes a special resolution of the Company, which cannot be amended other than to a mere clerical amendment to correct a patent error; and
- at least fourteen (14) clear days' notice in writing if the proposal constitutes an ordinary resolution of the Company.

Procedures for Shareholders to Propose a Person for Election as a Director

Shareholders may propose a person for election as Director, the procedures for which are available on the Company's website in the section of "Corporate Governance" under the column of "Investor Relations".

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send their enquiries and concerns to the Board by addressing them to the Head of Legal and Compliance Department to the Company's principal place of business in Hong Kong at Room 2502, 25/F., Tung Chiu Commercial Centre, 193 Lockhart Road, Wanchai, Hong Kong by post, or by email to enq_to_board@goodbabyint.com.

For the avoidance of doubt, shareholder(s) must deposit/send the original duly signed written enquiries or concerns (as the case may be) to the Company's aforesaid address and provide his/her/their full name(s) and contact details in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Note: The Company will not normally deal with verbal or anonymous enquiries.

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

The special resolution in relation to the proposed amendments to the amended and restated memorandum and articles of association of the Company and adoption of the second amended and restated memorandum and articles of association was duly passed at the annual general meeting held on 22 May 2023. The second amended and restated memorandum and articles of association of the Company took effect from 22 May 2023, the full text of which is available on the websites of the Stock Exchange and the Company.

Save as disclosed in this report, no other amendments were made to the memorandum and articles of association of the Company for the year ended 31 December 2023.

DIVIDEND POLICY

The Board has established a dividend policy setting out the principles and guidelines that the Company will apply when considering the declaration and payment of dividends to the shareholders of the Company via written resolutions of the Directors passed on 14 December 2018. The Company is subject to the Articles of Association and all applicable laws (including the Cayman Companies Law), rules and regulations, when making declaration and payment of dividends to shareholders of the Company.

According to the Board's dividend policy, the Company may, subject to the Cayman Companies Law, from time to time in general meeting declare dividend in any currency to be paid to the shareholders of the Company but no dividend shall be declared in excess of the amount recommended by the Board.

CORPORATE GOVERNANCE REPORT

The Board has the discretion to declare dividends to the shareholders of the Company, subject to the Articles of Association and all applicable laws and regulations and taking into consideration factors set out below:

(1) financial results;

(2) cash flow situation;

(3) business conditions and strategies;

(4) future operations and earnings;

(5) capital requirements and expenditure plans;

(6) rights and interests of shareholders;

(7) taxation consideration;

(8) any contractual, statutory and regulatory restrictions on payment of dividends; and

(9) any other factors that the Board may consider relevant.

Report of the Board of Directors

REPORT OF THE BOARD OF DIRECTORS

The Board is pleased to present their report and the audited financial statements for the year ended 31 December 2023 of the Group.

Goodbaby International Holdings Limited (the "Company", together with its subsidiaries, the"Group") is an investment holding company, and its subsidiaries are principally engaged in the design, research and development, manufacture, marketing and sales of children's car safety seats, strollers, apparels and home textile products, feeding, nursing and personal care products, cribs, bicycles and tricycles and other children products. The analysis of the revenue of the Group for the year is set out in note 5 to the Financial Statements.

BUSINESS REVIEW AND PERFORMANCE

A review of the business of the Group and a discussion and analysis of the Group's performance during the year under review and a discussion on the Group's future business development and outlook of the Company's business, possible risks and uncertainties that the Group may be facing and important events affecting the Company occurred during the year ended 31 December 2023 are provided in the section headed "Chairman's Statement" and the section headed "Management Discussion and Analysis" in this annual report.

An account of the Company's relationships with its key stakeholders is included in the paragraph headed "Relationships with Employees, Suppliers and Customers" on page 151 of this annual report. An analysis of the Group's performance during the year ended 31 December 2023 using financial performance indicators is provided in the section headed "Management Discussion and Analysis" in this annual report.

In addition, more details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Company are provided in the section headed "Environmental, Social and Governance" on pages 34 to 129 of this annual report.

FINANCIAL STATEMENTS

The results of the Group for the year are set out in the Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income on page 175 and page 176 respectively. The financial position as at 31 December 2023 of the Group are set out in the Consolidated Statement of Financial Position on pages 177 to 178. The cash flow of the Group during the year is set out in the Consolidated Statement of Cash Flows on pages 180 to 181.

SHARE CAPITAL

The changes in share capital of the Group during the year are set out in note 31 to the Financial Statements.

FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

For the purposes of ascertaining the members' eligibility to attend and vote at the annual general meeting, the Company's register of members will be closed during the following periods respectively:

For ascertaining eligibility to attend and vote at the annual general meeting:

• 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 annual general meeting, 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 respective latest time as stated above.

RESERVE

Details of the changes in reserves of the Group during the year are set out in note 33 to the Financial Statements.

As at 31 December 2023, the reserves of the Company available for distribution to shareholders was approximately HK$3,320.4 million.

PROPERTY, PLANT AND EQUIPMENT

The changes in property, plant and equipment during the year are set out in note 14 to the Financial Statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the percentages of sales attributable to the Group's major customers out of the Group's total revenue are as follows:

- the largest customer 14.7%

- five largest customers in aggregate 35.6%

During the year, purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases.

As far as the Company is aware, at no time during the year that any of the Directors or his/her close associates or any shareholder which to the knowledge of the Directors own over 5% of the number of issued shares of the Company had any interest in the above-mentioned suppliers and customers.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group understands that employees are valuable assets. The Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

The Group's business is built on a customer-oriented culture, and are focused on establishing relationships with retailers, brand owners and distributors globally. The Group also understands that it is important to maintain good relationship with its suppliers and customers to fulfil its immediate and long-term goals. To maintain its market competitiveness within the industry, the Group aims at delivering constantly high standards of quality in the products and services to its customers. During the year under review, there was no material and significant legal dispute between the Group and its suppliers and/or customers.

DONATION

During the year under review, the charitable contributions and other donations amounted to HK$1,598,660.

REPORT OF THE BOARD OF DIRECTORS

DIRECTORS

The Directors in office during the year and as at the date of this report were as follows:

Executive Directors

Mr. SONG Zhenghuan
Mr. LIU Tongyou
Mr. Martin POS
Mr. XIA Xinyue *(resigned on 29 February 2024)*
Mr. Michael Nan QU

Non-executive Directors

Ms. FU Jingqiu
Mr. HO Kwok Yin, Eric

Independent Non-executive Directors

Ms. CHIANG Yun
Mr. SHI Xiaoguang
Mr. JIN Peng
Mr. SO Tak Young

Further details of the Directors and senior management are set forth in the section headed "Directors and Senior Management" of this annual report.

In accordance with the articles of association of the Company, and based on the Listing Rules, Mr. SONG Zhenghuan, Mr. Michael Nan QU, Ms. FU Jingqiu and Mr. HO Kwok Yin, Eric will retire in the forthcoming annual general meeting. Mr. Michael Nan QU has decided to retire and not offer himself for re-election at the Annual General Meeting due to his personal reason and he will continue his role as Chairman Americans of the Group responsible for the strategic planning and culture development of our American business and organization. Mr. Michael Nan Qu will therefore retire with effect from the ending of the Annual General Meeting. Except for Mr. Michael Nan QU, all of the above Directors, being eligible, will offer themselves for re-election at the Annual General Meeting.

SERVICE CONTRACTS OF DIRECTORS

Each of the executive Directors has entered into a service contract/signed an appointment letter with the Company and is appointed for a specific term of three years unless terminated by not less than three months' notice in writing served by either the executive Director or the Company.

Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with the Company and is appointed for a specific term of three years with effect from the respective date stated therein.

There was no service contract entered into/appointment letter signed by the Company and any Directors to be re-elected in the forthcoming annual general meeting which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Other than those transactions disclosed in note 39 to the Financial Statements and in the section "Connected Transactions" below, there was no other transaction, arrangement or contract of significance with any member of the Group as the contracting party and in which any Director or any entity connected with a Director was materially interested, directly or indirectly, and which was still valid on the year end date or any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2023, the Company has received an annual written confirmation from each of Mr. SONG Zhenghuan and Ms. FU Jingqiu in respect of their and their close associates' compliance with the deed of non-competition dated 23 October 2017 (which replaces the deed of non-competition dated 9 November 2010 as disclosed in the Company's prospectus for global offering dated 11 November 2010). Further details of the deed of non-competition are set out in the circular of the Company dated 4 September 2017.

The independent non-executive Directors have reviewed and were satisfied that each of them has complied with the deed of non-competition for the year ended 31 December 2023.

CONFIRMATION OF INDEPENDENT STATUS

The Company has reviewed the independence of each of the independent non-executive Directors in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

SHARE OPTION SCHEME

On 5 November 2010, the Company adopted a share option scheme ("2010 Share Option Scheme") to incentivize or reward eligible participants (including (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (ii) any directors (including non-executive directors and independent non-executive directors) or any directors of its subsidiaries and any suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board, will contribute or have contributed to our Company and/or any of its subsidiaries as described in the share option scheme) for their contribution to the Group for the purpose of motivating the eligible participants to optimise 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. Upon termination of the 2010 Share Option Scheme, 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.

REPORT OF THE BOARD OF DIRECTORS

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 2020 Share Option Scheme.

With the approval of the shareholders of the Company in general meetings, the Directors may "refresh" the scheme limit under the share option schemes.

Pursuant to the shareholders' approval obtained by the Company at its annual general meeting held on 25 May 2017, the original scheme limit of the 2010 Share Option Scheme was refreshed to 111,630,600 shares, representing 10% of the then total number of shares in issue.

At the Company's extraordinary general meeting held on 28 May 2018, the scheme limit was refreshed and approved by the then shareholders such that the total number of shares which may fall to be issued upon exercise of all share options to be granted under the 2010 Share Option Scheme and any other share option scheme(s) as may from time to time be adopted by the Company must not exceed 166,802,317, i.e. 10% of the shares in issue as at the date of approval of the refreshed limit by the shareholders.

Pursuant to the shareholders' approval obtained by the Company at its annual general meeting held on 25 May 2020, the maximum number of share options currently permitted to be granted under the 2020 Share Option Scheme is 166,802,317, representing 10% of the shares of the Company in issue as at 25 May 2020.

On 19 June 2020, in order to effectively incentivize the existing grantees of the share options, the Company allowed grantees of share options granted on 28 August 2017, 27 March 2018, 28 May 2018 and 23 May 2019 to exchange their existing share options for new share options to be granted under the 2020 Share Option Scheme. For further details, please refer to the announcement of the Company dated 19 June 2020.

The Company may continue to make option grants using the existing scheme mandate under the latest amended Chapter 17 (the "amended Chapter 17") of the Listing Rules (which took effect on 1 January 2023), but any future grants will only be made to participants described in Rule 17.03A of the Listing Rules. The Company will comply with the amended Chapter 17 on or before the refreshment or expiry of the existing scheme mandate or adoption of any new share option scheme, whichever occurs first.

During the year under review, no share option was granted under the 2020 Share Option Scheme.

Under the 2010 Share Option Scheme, 3,690,000 share options were forfeited and none of the share options were exercised during 2023.

Under the 2020 Share Option Scheme, 1,908,050 share options were forfeited and none of the share options were exercised during 2023.

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

Movements of the share options granted during the year ended 31 December 2023 were as follows:

Name of Director/ former Director/ Associate	Date of grant	Exercise Price	Number of share options							Exercise period	Closing price of securities immediately before the date of grant
		(HK$)	Outstanding as at 1 January 2023	Granted during this year	Exercised during this year	Weighted average closing price immediately before the date of exercise (HK$)	Cancelled/ Lapsed during this year	Outstanding as at 31 December 2023	Percentage of total issued share capital[1]		(HK$)
Mr. Song Zhenghuan	29 September 2014	3.58	1,390,000	–	–	N/A	–	1,390,000	0.083%	29 September 2014 to 28 September 2024[2]	3.49
Mr. Liu Tongyou	29 September 2014	3.58	2,400,000	–	–	N/A	–	2,400,000	0.144%	29 September 2014 to 28 September 2024[2]	3.49
Mr. Liu Tongyou	23 May 2019	3.75	6,300,000	–	–	N/A	–	6,300,000	0.378%	23 May 2019 to 22 May 2029[7]	1.94
Mr. Liu Tongyou	19 June 2020	0.96	390,600	–	–	N/A	–	390,600	0.023%	23 May 2022 to 22 May 2029[8]	0.92
Mr. Liu Tongyou	19 June 2020	0.96	585,900	–	–	N/A	–	585,900	0.035%	23 May 2023 to 22 May 2029[8]	0.92
Mr. Liu Tongyou	19 June 2020	0.96	976,500	–	–	N/A	–	976,500	0.059%	23 May 2024 to 22 May 2029[8]	0.92
Mr. Martin Pos	29 September 2014	3.58	2,400,000	–	–	N/A	–	2,400,000	0.144%	29 September 2014 to 28 September 2024[2]	3.49
Mr. Martin Pos	27 March 2018	4.54	17,500,000	–	–	N/A	–	17,500,000	1.049%	27 March 2018 to 27 March 2028[5]	4.12
Mr. Martin Pos	19 June 2020	0.96	840,000	–	–	N/A	–	840,000	0.050%	27 September 2020 to 27 March 2028[8]	0.92
Mr. Martin Pos	19 June 2020	0.96	1,260,000	–	–	N/A	–	1,260,000	0.076%	27 September 2021 to 27 March 2028[8]	0.92
Mr. Martin Pos	19 June 2020	0.96	2,100,000	–	–	N/A	–	2,100,000	0.126%	27 September 2022 to 27 March 2028[8]	0.92
Mr. Xia Xinyue[14]	27 March 2018	4.54	10,000,000	–	–	N/A	–	10,000,000	0.600%	27 March 2018 to 27 March 2028[5]	4.12
Mr. Xia Xinyue[14]	19 June 2020	0.96	480,000	–	–	N/A	–	480,000	0.029%	27 September 2020 to 27 March 2028[8]	0.92
Mr. Xia Xinyue[14]	19 June 2020	0.96	720,000	–	–	N/A	–	720,000	0.043%	27 September 2021 to 27 March 2028[8]	0.92
Mr. Xia Xinyue[14]	19 June 2020	0.96	1,200,000	–	–	N/A	–	1,200,000	0.072%	27 September 2022 to 27 March 2028[8]	0.92
Mr. Michael Nan Qu	29 September 2014	3.58	1,600,000	–	–	N/A	–	1,600,000	0.096%	29 September 2014 to 28 September 2024[2]	3.49
Mr. Michael Nan Qu	19 June 2020	0.96	620,000	–	–	N/A	–	620,000	0.037%	23 May 2022 to 22 May 2029[8]	0.92
Mr. Michael Nan Qu	19 June 2020	0.96	930,000	–	–	N/A	–	930,000	0.056%	23 May 2023 to 22 May 2029[8]	0.92
Mr. Michael Nan Qu	19 June 2020	0.96	1,550,000	–	–	N/A	–	1,550,000	0.093%	23 May 2024 to 22 May 2029[8]	0.92

REPORT OF THE BOARD OF DIRECTORS

Name of Director/ former Director/ Associate	Date of grant	Exercise Price (HK$)	Number of share options: Outstanding as at 1 January 2023	Granted during this year	Exercised during this year	Weighted average closing price immediately before the date of exercise (HK$)	Cancelled/ Lapsed during this year	Outstanding as at 31 December 2023	Percentage of total issued share capital[1]	Exercise period	Closing price of securities immediately before the date of grant (HK$)
Ms. Fu Jingqiu	29 September 2014	3.58	1,390,000	–	–	N/A	–	1,390,000	0.083%	29 September 2014 to 28 September 2024[2]	3.49
	23 May 2019	3.75	600,000	–	–	N/A	–	600,000	0.036%	23 May 2019 to 22 May 2029[7]	1.94
	19 June 2020	0.96	43,400	–	–	N/A	–	43,400	0.003%	23 May 2022 to 22 May 2029[8]	0.92
			65,100	–	–	N/A	–	65,100	0.004%	23 May 2023 to 22 May 2029[8]	
			108,500	–	–	N/A	–	108,500	0.007%	23 May 2024 to 22 May 2029[8]	
Mr. Ho Kwok Yin, Eric	29 September 2014	3.58	1,000,000	–	–	N/A	–	1,000,000	0.060%	29 September 2014 to 28 September 2024[2]	3.49
	19 June 2020	0.96	19,200	–	–	N/A	–	19,200	0.001%	27 September 2020 to 27 March 2028[8]	0.92
			28,800	–	–	N/A	–	28,800	0.002%	27 September 2021 to 27 March 2028[8]	
			48,000	–	–	N/A	–	48,000	0.003%	27 September 2022 to 27 March 2028[8]	
Ms. Chiang Yun	29 September 2014	3.58	800,000	–	–	N/A	–	800,000	0.048%	29 September 2014 to 28 September 2024[2]	3.49
	19 June 2020	0.96	19,200	–	–	N/A	–	19,200	0.001%	27 September 2020 to 27 March 2028[8]	0.92
			28,800	–	–	N/A	–	28,800	0.002%	27 September 2021 to 27 March 2028[8]	
			48,000	–	–	N/A	–	48,000	0.003%	27 September 2022 to 27 March 2028[8]	
Mr. Shi Xiaoguang	29 September 2014	3.58	800,000	–	–	N/A	–	800,000	0.048%	29 September 2014 to 28 September 2024[2]	3.49
	19 June 2020	0.96	19,200	–	–	N/A	–	19,200	0.001%	27 September 2020 to 27 March 2028	0.92
			28,800	–	–	N/A	–	28,800	0.002%	27 September 2021 to 27 March 2028[8]	
			48,000	–	–	N/A	–	48,000	0.003%	27 September 2022 to 27 March 2028[8]	
Mr. Jin Peng	19 June 2020	0.96	19,200	–	–	N/A	–	19,200	0.001%	27 September 2020 to 27 March 2028[8]	0.92
			28,800	–	–	N/A	–	28,800	0.002%	27 September 2021 to 27 March 2028[8]	
			48,000	–	–	N/A	–	48,000	0.003%	27 September 2022 to 27 March 2028[8]	
Ms. Sharon Nan Kobler *(associate of Mr. Song Zhenghuan and Ms. Fu Jingqiu)*	19 June 2020	0.96	124,000	–	–	N/A	–	124,000	0.007%	23 May 2022 to 22 May 2029[8]	0.92
			186,000	–	–	N/A	–	186,000	0.011%	23 May 2023 to 22 May 2029[8]	
			310,000	–	–	N/A	–	310,000	0.019%	23 May 2024 to 22 May 2029[8]	

Name of Director/ former Director/ Associate	Date of grant	Exercise Price	Number of share options: Outstanding as at 1 January 2023	Granted during this year	Exercised during this year	Weighted average closing price immediately before the date of exercise	Cancelled/ Lapsed during this year	Outstanding as at 31 December 2023	Percentage of total issued share capital[1]	Exercise period	Closing price of securities immediately before the date of grant
		(HK$)				(HK$)					(HK$)
Mr. Martin Patrick Pos *(associate of Mr. Martin Pos)*	11 December 2020	1.01	62,000	–	–	N/A	–	62,000	0.004%	11 December 2023 to 10 December 2030[9]	1.00
			93,000	–	–	N/A	–	93,000	0.006%	11 December 2024 to 10 December 2030[9]	
			155,000	–	–	N/A	–	155,000	0.009%	11 December 2025 to 10 December 2030[9]	
Total number held by Directors	29 September 2014	3.58	11,780,000	–	–	N/A	–	11,780,000	0.706%	29 September 2014 to 28 September 2024[2]	3.49
	27 March 2018	4.54	27,500,000	–	–	N/A	–	27,500,000	1.649%	27 March 2018 to 27 March 2028[5]	4.12
	23 May 2019	3.75	6,900,000	–	–	N/A	–	6,900,000	0.414%	23 May 2019 to 22 May 2029[7]	1.94
	19 June 2020	0.96	12,254,000	–	–	N/A	–	12,254,000	0.735%	Refer to note[8]	0.92
Total number held by Associates	19 June 2020	0.96	620,000	–	–	N/A	–	620,000	0.037%	Refer to note[8]	0.92
	11 December 2020	1.01	310,000	–	–	N/A	–	310,000	0.019%	Refer to note[9]	1.00
Total number held by Employees of the Group	29 September 2014	3.58	12,500,000	–	–	N/A	600,000	11,900,000	0.749%	29 September 2014 to 28 September 2024[3]	3.49
	7 October 2015	3.75	9,800,000	–	–	N/A	3,000,000	6,800,000	0.588%	7 October 2015 to 6 October 2025[4]	3.66
	27 March 2018	4.54	4,000,000	–	–	N/A	–	4,000,000	0.240%	27 March 2018 to 27 March 2028[5]	4.12
	28 May 2018	5.122	3,600,000	–	–	N/A	–	3,600,000	0.216%	28 May 2018 to 27 May 2028[6]	4.92
	23 May 2019	3.75	27,790,000	–	–	N/A	90,000	27,700,000	1.666%	23 May 2019 to 22 May 2029[7]	1.94
	19 June 2020	0.96	10,890,300	–	–	N/A	896,050	9,994,250	0.653%	Refer to note[8]	0.92
	11 December 2020	1.01	3,682,000	–	–	N/A	837,000	2,845,000	0.221%	Refer to note[9]	1.00
	16 June 2022	1.042	675,000	–	–	N/A	175,000	500,000	0.040%	Refer to note[10]	1.03

REPORT OF THE BOARD OF DIRECTORS

Fair values of the share options granted at the date of grant were as follows:

For director/associate:

Date of grant	Exercise period	Fair value HK$ per share(11)
29 September 2014	29 September 2017 to 28 September 2024(2)	1.11
29 September 2014	29 September 2018 to 28 September 2024(2)	1.17
29 September 2014	29 September 2019 to 28 September 2024(2)	1.23
27 March 2018	27 September 2020 to 27 March 2028(5)	1.66
27 March 2018	27 September 2021 to 27 March 2028(5)	1.76
27 March 2018	27 September 2022 to 27 March 2028(5)	1.84
23 May 2019	23 May 2022 to 22 May 2029(7)	0.29
23 May 2019	23 May 2023 to 22 May 2029(7)	0.31
23 May 2019	23 May 2024 to 22 May 2029(7)	0.33
19 June 2020	28 August 2020 to 27 August 2027(8)	0.27
19 June 2020	28 August 2021 to 27 August 2027(8)	0.31
19 June 2020	28 August 2022 to 27 August 2027(8)	0.35
19 June 2020	27 September 2020 to 27 March 2028(8)	0.28
19 June 2020	27 September 2021 to 27 March 2028(8)	0.32
19 June 2020	27 September 2022 to 27 March 2028(8)	0.35
19 June 2020	28 May 2021 to 27 May 2028(8)	0.30
19 June 2020	28 May 2022 to 27 May 2028(8)	0.34
19 June 2020	28 May 2023 to 27 May 2028(8)	0.37
19 June 2020	23 May 2022 to 22 May 2029(8)	0.35
19 June 2020	23 May 2023 to 22 May 2029(8)	0.38
19 June 2020	23 May 2024 to 22 May 2029(8)	0.41
11 December 2020	11 December 2023 to 10 December 2030(9)	0.40
11 December 2020	11 December 2024 to 10 December 2030(9)	0.43
11 December 2020	11 December 2025 to 10 December 2030(9)	0.45

For Employees:

Date of grant	Exercise period	Fair value HK$ per share[11]
29 September 2014	29 September 2017 to 28 September 2024[3]	1.06[12]
29 September 2014	29 September 2018 to 28 September 2024[3]	1.14[12]
29 September 2014	29 September 2019 to 28 September 2024[3]	1.20[12]
29 September 2014	29 September 2017 to 28 September 2024[3]	1.09[13]
29 September 2014	29 September 2018 to 28 September 2024[3]	1.16[13]
29 September 2014	29 September 2019 to 28 September 2024[3]	1.22[13]
7 October 2015	7 October 2018 to 6 October 2025[4]	1.22
7 October 2015	7 October 2019 to 6 October 2025[4]	1.30
7 October 2015	7 October 2020 to 6 October 2025[4]	1.37
27 March 2018	27 September 2020 to 27 March 2028[5]	1.42
27 March 2018	27 September 2021 to 27 March 2028[5]	1.53
27 March 2018	27 September 2022 to 27 March 2028[5]	1.62
28 May 2018	28 May 2021 to 27 May 2028[6]	1.48
28 May 2018	28 May 2022 to 27 May 2028[6]	1.59
28 May 2018	28 May 2023 to 27 May 2028[6]	1.68
23 May 2019	23 May 2022 to 22 May 2029[7]	0.25
23 May 2019	23 May 2023 to 22 May 2029[7]	0.28
23 May 2019	23 May 2024 to 22 May 2029[7]	0.31
19 June 2020	28 August 2020 to 27 August 2027[8]	0.27
19 June 2020	28 August 2021 to 27 August 2027[8]	0.31
19 June 2020	28 August 2022 to 27 August 2027[8]	0.35
19 June 2020	27 September 2020 to 27 March 2028[8]	0.28
19 June 2020	27 September 2021 to 27 March 2028[8]	0.32
19 June 2020	27 September 2022 to 27 March 2028[8]	0.35
19 June 2020	28 May 2021 to 27 May 2028[8]	0.30
19 June 2020	28 May 2022 to 27 May 2028[8]	0.34
19 June 2020	28 May 2023 to 27 May 2028[8]	0.37
19 June 2020	23 May 2022 to 22 May 2029[8]	0.35
19 June 2020	23 May 2023 to 22 May 2029[8]	0.38
19 June 2020	23 May 2024 to 22 May 2029[8]	0.41
11 December 2020	11 December 2023 to 10 December 2030[9]	0.40
11 December 2020	11 December 2024 to 10 December 2030[9]	0.43
11 December 2020	11 December 2025 to 10 December 2030[9]	0.45
16 June 2022	16 June 2025 to 15 June 2032[10]	0.45
16 June 2022	16 June 2026 to 15 June 2032[10]	0.49
16 June 2022	16 June 2027 to 15 June 2032[10]	0.52

REPORT OF THE BOARD OF DIRECTORS

Notes:

(1) The percentage is calculated based on the total number of 1,668,031,166 shares in issue as at 31 December 2023.

(2) The share options are exercisable within a period of 10 years from 29 September 2014 and subject to the following vesting schedule and performance review:

(i) one third of the share options vested on 29 September 2017;

(ii) one third of the share options vested on 29 September 2018; and

(iii) the remaining one third of the share options vested on 29 September 2019.

(3) The share options are exercisable within a period of 10 years from 29 September 2014 and subject to the following vesting schedule and performance review:

(i) for some grantees, the share options shall be vested on 29 September 2018; and

(ii) for the remaining grantees, one third of the share options vested on 29 September 2017, one third of the share options vested on 29 September 2018 and the remaining one third of the share options vested on 29 September 2019.

(4) The share options are exercisable within a period of 10 years from 7 October 2015 and subject to the following vesting schedule and performance review:

(i) one third of the share options vested on 7 October 2018;

(ii) one third of the share options vested on 7 October 2019; and

(iii) the remaining one third of the share options vested on 7 October 2020.

(5) The share options are exercisable within a period of 10 years from 27 March 2018 and subject to the following vesting schedule and performance review:

(i) 20% of the share options vested on 27 September 2020;

(ii) another 30% of the share options vested on 27 September 2021; and

(iii) the remaining share options vested on 27 September 2022.

(6) The share options are exercisable within a period of 10 years from 28 May 2018 and subject to the following vesting schedule and performance review:

(i) 20% of the share options vested on 28 May 2021;

(ii) another 30% of the share options vested on 28 May 2022; and

(iii) the remaining share options vested on 28 May 2023.

(7) The share options are exercisable within a period of 10 years from 23 May 2019 and subject to the following vesting schedule and performance review:

(i) 20% of the share options vested on 23 May 2022;

(ii) another 30% of the share options vested on 23 May 2023; and

(iii) the remaining share options will be vested on 23 May 2024.

(8) Among the 22,868,250 share options, the vesting schedule and exercise period are as follows:

(i) 93,332 share options will be vested on 28 August 2020 and exercisable until 27 August 2027;

(ii) 93,332 share options will be vested on 28 August 2021 and exercisable until 27 August 2027;

(iii) 93,336 share options will be vested on 28 August 2022 and exercisable until 27 August 2027;

(iv) 2,107,200 share options will be vested on 27 September 2020 and exercisable until 27 March 2028;

(v) 3,160,800 share options will be vested on 27 September 2021 and exercisable until 27 March 2028;

(vi) 5,268,000 share options will be vested on 27 September 2022 and exercisable until 27 March 2028;

(vii) 160,000 share options will be vested on 28 May 2021 and exercisable until 27 May 2028;

(viii) 240,000 share options will be vested on 28 May 2022 and exercisable until 27 May 2028;

(ix) 400,000 share options will be vested on 28 May 2023 and exercisable until 27 May 2028;

(x) 2,306,100 share options will be vested on 23 May 2022 and exercisable until 22 May 2029;

(xi) 3,459,150 share options will be vested on 23 May 2023 and exercisable until 22 May 2029; and

(xii) 5,487,000 share options will be vested on 23 May 2024 and exercisable until 22 May 2029.

(9) The share options are exercisable within a period of 10 years from 11 December 2020 and subject to the following vesting schedule and performance review:

(i) 20% of the share options vested on 11 December 2023;

(ii) another 30% of the share options will be vested on 11 December 2024; and

(iii) the remaining share options will be vested on 11 December 2025.

(10) The share options are exercisable within a period of 10 years from 16 June 2022 and subject to the following vesting schedule and performance review:

(i) 20% of the share options will be vested on 16 June 2025;

(ii) another 30% of the share options will be vested on 16 June 2026; and

(iii) the remaining share options will be vested on 16 June 2027.

(11) The fair value of the share options is determined in accordance with HKFRS 2 by reference to the cost of purchase of the share options, or the fair value at grant date, taking into account all non-vesting conditions associated with the grant on grant date. No adjustment is required for expected dividends since the employees are entitled to receive dividends paid during the vesting period. Details of the accounting policy adopted are set out in Note 2.4 to the consolidated Financial Statements. During 2023, no share option had been granted to any Director or employee of the Group.

(12) The share options were granted for employees of CYBEX.

(13) The share options were granted for employees of gb.

(14) Mr. Xia Xinyue, a former executive Director, resigned and ceased to be a Director since 29 February 2024 (the "date of cessation"). Accordingly, under the terms of the 2010 Share Option Scheme and the 2020 Share Option Scheme, the share options granted to him by the Company and vested before the date of cessation shall automatically lapse and become not exercisable if they are not exercised within three months from the date of cessation. Share options granted to him by the Company but not yet vested before the date of cessation had automatically lapsed and become not exercisable immediately from the date of cessation.

As at 1 January 2023 and 31 December 2023, the total number of options available for grant under the 2020 Share Option Scheme was 117,423,316 and 119,034,566, respectively.

As at 31 December 2023, the number of shares that may be issued in respect of the options granted under the 2010 Share Option Scheme and the 2020 Share Option Scheme in total divided by the weighted average number of ordinary shares of the Company in issue for the year ended 31 December 2021 was 7.60%.

As at 31 December 2023, the total number of shares available for issue under the 2020 Share Option Scheme was 119,034,566 shares, which represented 7.14% of the shares in issue as at the date of this annual report.

The options issued pursuant to the 2010 Share Option scheme and the 2020 Share Option Scheme will expire no later than 10 years from the date of grant of the option.

The remaining life of the 2020 Share Option Scheme is approximately 6 years and 1 month as at the date of this report.

For any options granted to Directors, chief executives or substantial shareholders of the Company, or any of their respective associate, options to be granted to any of these persons shall be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of options). Where any option granted to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the shares issued or to be issued upon exercise of all options already granted and to be granted to such person in the 12-month period, (i) representing in aggregate over 0.1% of the shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the shares, in excess of HK$5 million, such grant of options shall be subject to prior approval by resolutions of the shareholders (voting by way of poll).

The maximum number of shares issued and to be issued in respect of options granted and may be granted to any individual in any 12-month period is not permitted to exceed 1% of the total shares of the Company in issue, without prior approval from the shareholders of the Company and with such participants and his associates abstaining from voting.

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$1.00 in total by the grantee. The exercise price is determined by the Directors, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's share.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Share Option Schemes as set out in note 32 to the consolidated financial statements, at no time during the year was the Company, its holding companies or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate.

REPORT OF THE BOARD OF DIRECTORS

INTEREST AND SHORT POSITIONS OF DIRECTORS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES

As at 31 December 2023, the interests or short positions of the Directors or chief executives of the Company then in office in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required, pursuant to the Model Code, are as follows:

DIRECTORS' INTEREST IN THE SHARES AND/OR UNDERLYING SHARES

Name of Director	Nature of Interest	Number of Shares and/or Underlying Shares	Approximate percentage of Shareholding
Mr. Song Zhenghuan ("Mr. Song") (Notes 2, 4 & 5)	Beneficial owner/ Interest of controlled corporation/Interest of spouse	769,639,427 (L)	46.14%
Mr. Liu Tongyou ("Mr. Liu") (Note 3)	Beneficial owner	39,710,573 (L)	2.38%
Mr. Martin Pos	Beneficial owner/Interest of controlled corporation	81,090,293 (L)	4.86%
Mr. Xia Xinyue *(resigned on 29 February 2024)*	Beneficial owner	12,400,000 (L)	0.74%
Mr. Michael Nan Qu	Beneficial owner/ Interest of spouse	4,809,000 (L)	0.29%
Ms. Fu Jingqiu ("Ms. Fu") (Notes 2, 4 & 5)	Beneficiary of a trust/ Beneficial owner/ Interest of spouse	769,639,427 (L)	46.14%
Mr. Ho Kwok Yin, Eric	Beneficial owner	1,096,000 (L)	0.07%
Ms. Chiang Yun	Beneficial owner	896,000 (L)	0.05%
Mr. Shi Xiaoguang	Beneficial owner	896,000 (L)	0.05%
Mr. Jin Peng	Beneficial owner	96,000 (L)	0.01%

Notes:

(1) The letter "L" denotes the person's long position in such shares.

(2) As at 31 December 2023, such 769,639,427 Shares comprised (i) 678,288,556 Shares being interest in corporations controlled by Mr. Song, namely, PUD, Cayey Enterprises Limited and Sure Growth Investments Limited; (ii) 87,753,871 Shares held by the Golden Phoenix Trust of which Ms. Fu was the settlor for the beneficiaries that included Ms. Fu; (iii) 1,390,000 underlying Shares in respect of Share options of the Company granted to Mr. Song; and (iv) 2,207,000 underlying Shares in respect of Share options of the Company granted to Ms. Fu.

(3) Mr. Liu was interested in 29,057,573 shares of the Company held through Silvermount Limited, a company wholly owned by him. He also holds 10,653,000 share options of the Company.

(4) Each of the Directors was deemed to have an interest in the underlying shares of the Company within the meaning of Part XV of the SFO in respect of the share options of the Company granted to him/her, details are as follows:

Name of Director	Number of Share Options granted
Mr. Song Zhenghuan	1,390,000
Mr. Liu Tongyou	10,653,000
Mr. Martin Pos	24,100,000
Mr. Xia Xinyue *(resigned on 29 February 2024)*	12,400,000
Mr. Michael Nan Qu	4,700,000
Ms. Fu Jingqiu	2,207,000
Mr. Ho Kwok Yin, Eric	1,096,000
Ms. Chiang Yun	896,000
Mr. Shi Xiaoguang	896,000
Mr. Jin Peng	96,000

(5) Since Ms. Fu is Mr. Song's spouse, each of Mr. Song and Ms. Fu is deemed to have an interest in the Shares held by or deemed to be interested in by each other and the underlying Shares of the Company in respect of the Share Options of the Company granted to each of them, by virtue of Part XV of the SFO.

Save as disclosed above, as at 31 December 2023, none of the Directors or chief executive of the Company or their respective close associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 31 December 2023, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company:

Name	Capacity	Number of Shares and/or Underlying Shares	Approximate Percentage of Shareholding
Cayey Enterprises Limited (Note 2)	Interest of Controlled Corporation/ Beneficial Owner	548,994,581 (L)	32.91%
Pacific United Developments Limited ("PUD") (Note 2)	Beneficial Owner	409,518,229 (L)	24.55%
Sure Growth Investments Limited (Note 3)	Beneficial Owner	129,293,975 (L)	7.75%
FIL Limited	Investment Manager	117,123,000 (L)	7.02%
Pandanus Associates Inc.	Investment Manager	117,123,000 (L)	7.02%
Pandanus Partners L.P.	Investment Manager	117,123,000 (L)	7.02%
Credit Suisse Trust Limited (Guernsey) (Note 4)	Trustee	87,753,871 (L)	5.26%
Golden Phoenix Limited	Interest of Controlled Corporation	87,753,871 (L)	5.26%
Rosy Phoenix Limited (Note 4)	Beneficial Owner	87,753,871 (L)	5.26%

Notes:

(1) The letter "L" denotes the person's long position in such shares.

(2) PUD was owned as to approximately 53.44% by Cayey Enterprises Limited, which in turn was a corporation controlled by Mr. Song. Accordingly, Mr. Song was deemed to be interested in the 139,476,352 Shares directly held by Cayey Enterprises Limited and the 409,518,229 Shares directly held by PUD and indirectly by Cayey Enterprises Limited, totaled 548,994,581 Shares, and Ms. Fu being Mr. Song spouse was also deemed to be interested in such Shares of which Mr. Song was deemed to be interested.

(3) Sure Growth Investments Limited was indirectly owned as to 44.44% by Mr. Song, as to 22.22% by Ms. Fu, as to 11.11% by Mr. Liu, executive director of the Company and as to 5.56% by Mr. Michael Nan Qu, executive director of the Company.

(4) Rosy Phoenix Limited was indirectly held by Credit Suisse Trust Limited (Guernsey) as the trustee of the Golden Phoenix Trust; Ms. Fu is the settlor of the Golden Phoenix Trust and Credit Suisse Trust Limited (Guernsey) is the trustee holding 87,753,871 interest on trust for the beneficiaries that include Ms. Fu.

Save as disclosed above, as at 31 December 2023, the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

SUBSIDIARIES

The Group's operations are conducted worldwide through its direct or indirect subsidiaries. Details of the principal subsidiaries of the Company as at 31 December 2023 are set out in note 1 to the Financial Statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2023.

REPORT OF THE BOARD OF DIRECTORS

CONNECTED TRANSACTIONS

The Group's related parties transactions marked with "#" for the year ended 31 December 2023 set out in note 39 to the Financial Statements constitute connected transactions as defined in chapter 14A of the Listing Rules and the Company has complied with the disclosure requirements in chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS WHICH ARE EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT, BUT SUBJECT TO THE REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS OF THE LISTING RULES

SUPPLY AGREEMENTS WITH GOODBABY CHINA HOLDINGS LIMITED (THE "GCHL" OR "CAGB")

On 28 August 2018, the Company and GCHL entered into a supply agreement (the "2018 Supply Agreement") for a fixed term of 3 years commencing from 1 January 2019 and ending on 31 December 2021. On 23 August 2021, the Company and GCHL entered into a renewal agreement (the "2021 Supply Agreement", together with the 2018 Supply Agreement referred to as "Supply Agreements") to renew the 2018 Supply Agreement for a fix term of 3 years commencing from 1 January 2022 to 31 December 2024.

Pursuant to the Supply Agreements, the Company agreed to supply, or procure its subsidiaries to supply, among other things, (i) durable juvenile products of strollers, children's car seats, cribs, children's bicycles and other durable juvenile products under the "CYBEX", "Evenflo", "gb", "Happy Dino" and other brands; and (ii) non-durable juvenile products of infant, hygiene care, wipes, apparels, footwear and accessories and other non-durable juvenile products under "gb", "Happy Dino" and other brands ("MBC Products") to GCHL and its subsidiaries as non-exclusive distributors to distribute the MBC Products domestically in the PRC.

Subject to the Supply Agreements, the total price and terms of each order will be set out in individual contracts. The price of each MBC Product to be supplied by the Group under the 2021 Supply Agreement will be determined upon arm's length negotiation between the parties in the ordinary course of business of the Group.

To determine the prevailing market price, the production or outsourcing department of the Company will provide the cost analysis in relation to each MBC Product to the market and sales department for consideration. The prevailing market price is determined through market research involving obtaining questionnaires from potential customers and/or distributors based on the type and nature of the relevant product. At the same time, the market and sales department will also obtain quotes of similar products from not less than two competing brands unless such quotes are not available for certain types of products. Once the information on prevailing market price of the relevant product has been gathered through market research, the market and sales department will determine the proposed benchmark retail price and then discuss with the finance department on the gross profit requirement applicable to each relevant product in order to determine the mark-up rate as well as the discount rate applicable to each relevant product, and submit the final purchase price of the relevant product to the general manager of the market and sales department for final approval.

The price of each MBC Product will be determined along the following principles:

(1) Pre-determine a benchmark retail price for each MBC Product;

(2) Determine the discount rate; and

(3) Ensure the terms offered to GCHL and its subsidiaries, as connected persons of the Group, are no more favourable to the terms offered to independent third parties.

The annual caps under the 2018 Supply Agreement for each of the three years ending 31 December 2021 are RMB45,100,000, RMB63,400,000 and RMB89,600,000, respectively. The annual caps under the 2021 Supply Agreement for each of the three years ending 31 December 2024 are RMB20,000,000, RMB26,000,000 and RMB34,000,000, respectively.

The transaction between the Company and its subsidiaries and GCHL and its subsidiaries in relation to the MBC Products sold for the year ended 31 December 2023 was RMB6,980 (approximately HK$7,727). For further details, please also refer to the announcements of the Company dated 28 August 2018, 23 August 2021 and 13 September 2021, respectively.

GCHL is a company which is held as to approximately 94.58% by companies ultimately controlled by the Chairman and his spouse, including Pacific United Developments Limited ("PUD"), a substantial shareholder of the Company. Accordingly, GCHL is an associate of the Chairman under the Listing Rules and thus it is regarded as a connected person of the Company under the Listing Rules and the entering of the Supply Agreements constitute connected transactions for the Company.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the continuing connected transactions above of the Group.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(i) in the ordinary and usual course of the business of the Group;

(ii) on normal commercial terms or better; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the auditors of the Company to perform certain agreed-upon procedures on the aforesaid continuing connected transactions. Based on the work performed, the auditors of the Company have provided a letter to the Board confirming that the aforesaid continuing connected transactions:

(i) have been approved by the Directors;

(ii) were entered into in accordance with the pricing policies of the Company;

(iii) were entered into in accordance with the terms of the relevant agreements governing such transactions; and

(iv) did not exceed the annual cap amounts.

CONNECTED TRANSACTION WHICH WAS EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT, BUT SUBJECT TO THE REPORTING AND ANNOUNCEMENT REQUIREMENTS OF THE LISTING RULES

On 15 November 2023, CYBEX GmbH, an indirect wholly-owned subsidiary of the Company, and DADWAY, INC. (the "Seller") entered into a share purchase agreement (the "Share Purchase Agreement") in relation to the transfer of 20% equity interest in Columbus Trading-Partners Japan Limited (the "Target") held by the Seller to CYBEX GmbH at the consideration of JPY258,409,336 (equivalent to approximately HK$13,411,445 based on the exchange rate of HK$0.0519 to JPY 1 for illustration purpose only) (the "Acquisition"). The Target was a non-wholly owned subsidiary of the Company and held by CYBEX GmbH and the Seller as to 80% and 20% respectively immediately prior to the completion of such equity transfer. The Acquisition was completed on the date of the said share purchase agreement, and as a result, the Target became a wholly-owned subsidiary of the Company. Since the Seller was a substantial shareholder of the Target immediately prior to the completion of the Acquisition, the Acquisition by the constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

REPORT OF THE BOARD OF DIRECTORS

Since the Seller had no other connectedness with the Company at the listed issuer level and was a connected person of the Company at the subsidiary level, and the Board has approved the Acquisition; and the independent non-executive Directors had confirmed that the terms and conditions of the Acquisition were fair and reasonable, on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, the Acquisition was subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval and circular (including independent financial advice) requirements under Chapter 14A of the Listing Rules.

For further details of the Acquisition, please refer to the announcement of the Company dated 15 November 2023.

SPECIFIC PERFORMANCE OBLIGATIONS OF CONTROLLING SHAREHOLDERS UNDER RULE 13.18 OF THE LISTING RULES

APRIL 2021 FACILITY AGREEMENT

To refinance certain existing bank loans, on 13 April 2021, Goodbaby (Hong Kong) Limited, a wholly-owned subsidiary of the Company (as borrower), the Company (as guarantor), one financial institution (as mandated lead arranger and bookrunner and underwriter, facility agent and security agent) and certain financial institutions (as original lenders) entered into a facility agreement (the "April 2021 Facility Agreement") in respect of a US$165,000,000 term loan facility with a term of 36 months from the first utilisation date. The total commitment under the April 2021 Facility Agreement may be increased by not more than US$85,000,000 by way of accession(s) of additional lender(s). With this refinance, the debt structure of the Company will be optimized and relevant finance cost will be improved.

Under the April 2021 Facility Agreement, if (a) Mr. Song (together with his family, including his or his spouse's family trust) is, collectively, no longer the single largest beneficial shareholder of the Company; or (b) Mr. Song (together with his family, including his or his spouse's family trust) collectively, no longer beneficially owns at least 30% of the issued share capital of the Company, then the borrower shall:

(1) immediately notify the facility agent thereof. Forthwith after the occurrence of such event or circumstance, no further utilisation shall be made and all the available facility shall be automatically cancelled in full; and

(2) at the request of any lender, prepay that lender's participation in the loans together with accrued interests thereon and break costs (if any).

If the shares in the Company are beneficially owned by any person mentioned above through one or more corporations ("holding companies") controlled by such person(s) (whether acting alone or together), then the entire shareholding of such holding companies in the Company shall be taken into account in determining compliance with (a) and (b) above.

The term loan facility under this April 2021 Facility Agreement was fully utilised in 23 September 2021. As at the date of this report, US$115.5 million remains outstanding in respect of this April 2021 Facility Agreement.

For further details, please also refer to the announcement of the Company dated 13 April 2021.

APRIL 2024 FACILITY AGREEMENT

To refinance certain existing bank loans, on 8 April 2024, Goodbaby (Hong Kong) Limited ("GBHK"), a wholly-owned subsidiary of the Company (as borrower), the Company (as guarantor), one financial institution (as sole global coordinator, mandated lead arranger and bookrunner, facility agent and security agent) and certain financial institutions (as original lenders) (collectively, the

"Finance Parties") entered into a facilities agreement (the "Facilities Agreement") in respect of certain term loan facilities consisting of US Dollars facilities in a total amount of US$160,000,000, with a term of 36 months from the first utilisation date. The total commitment under the Facilities Agreement may be increased by not more than US$50,000,000 or its equivalent in Euro with the prior written consent of GBHK, by way of accession(s) of additional lender(s). With this refinance, the debt structure of the Company will be optimized and relevant finance cost will be improved.

Under the Facilities Agreement, if Song Zhenghuan ("Mr. Song") (together with his family, including his or his spouse's family trust) collectively, (a) no longer beneficially owns more than 20% of the issued share capital of the Company; or (b) are no longer the single largest beneficial shareholder of the Company or no longer holds the position of chairperson of the board of directors of the Company, then the Borrower shall:

(i) immediately notify the facility agent thereof. Forthwith after the occurrence of such event or circumstance, no further utilisation shall be made and all the available facility shall be automatically cancelled in full; and

(ii) at the request of any lender, prepay that lender's participation in the loans together with accrued interests thereon and break costs (if any).

If the shares in the Company are beneficially owned by any person mentioned above through one or more corporations ("Holding Companies") controlled by such person(s) (whether acting alone or together), then the entire shareholding of such Holding Companies in the Company shall be taken into account in determining compliance with (a) and (b) above.

As at the date of this report, The term loan facility under this April 2024 Facility Agreement was not utilised.

For further details, please also refer to the announcement of the Company dated 8 April 2024.

Save as disclosed above, as at the date of this report, the Company did not have other disclosure obligations under Rule 13.18 of the Listing Rules.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

ENVIRONMENTAL PROTECTION

While maintaining our own production and operation capabilities, the Company also has reinforced the fusion of environmental protection, safety, health and social responsibility into our corporate development strategies by establishing the ESG report working team in line with our business development. The Company and the Group uphold the concept of sustainable development, focus attention on the design of research and development, production and operation environment, social and governance risks, strive to achieve sustainable growth.

The Company considers our staff, shareholders and potential investors, government authorities, suppliers, community individuals, media and consumers as our key stakeholders, and values highly the expectations and opinions of our stakeholders on us with respect to environment, society and governance. The Company has commenced multidimensional risk analysis, identified issues on the environment, society and importance of governance which are the concerns in our own development and of the relevant stakeholders.

For further relevant information regarding our performance on environment, society and governance during the current financial year, please refer to the Environmental, Social and Governance section in the annual report for details. The Company has formulated the compliance procedures to ensure compliance with, in particular, the applicable laws, rules and regulations having material effect on us. The relevant employees and the relevant operating entities will be informed of any changes in the applicable laws, rules and regulations from time to time.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the corporate governance report contained in this annual report.

REPORT OF THE BOARD OF DIRECTORS

PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES

The Board proposes to amend the Memorandum and Articles by adopting certain amendments in order to facilitate the Company's compliance with the electronic corporate communications requirements under the amended Listing Rules which took effect from 31 December 2023 (the "Proposed Amendments") such that the Company may (among other things) (i) send or otherwise make available the corporate communication to the relevant holders of its securities using electronic means or (ii) make the corporate communication available on its website and the Stock Exchange's website. Pursuant to the Listing Rules, listed issuers must make any necessary amendments (if applicable) to their constitutional documents no later than the first annual general meeting following 31 December 2023 to facilitate their compliance with such requirements.

The Proposed Amendments are subject to the approval of the Shareholders by way of passing a special resolution to be proposed at the AGM. A circular of the AGM containing, among other things, details of the Proposed Amendments, together with a notice of the AGM, will be despatched to the Shareholders in due course.

INDEMNITY AND INSURANCE PROVISIONS

The Company has arranged appropriate directors and officers liability insurance in respect of legal action against Directors. Also, each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto in accordance with the Articles of Association.

EXCHANGE RISKS

Details of the exchange risks are set out in note 42 to the Financial Statements.

PURCHASE, SALE, REDEMPTION OR RE-PURCHASE OF SHARES

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

DISCLOSURE UNDER RULE 13.20 OF THE LISTING RULES

The Directors are not aware of any circumstances resulting in the responsibility of disclosure under Rule 13.20 of the Listing Rules regarding the provision of advances by the Company to an entity.

DISCLOSURE OF INFORMATION OF DIRECTORS UNDER RULES 13.51(2) AND 13.51B(1) OF THE LISTING RULES

Changes in Directors' biographical details since the date of the 2023 interim report of the Company, which are required to be disclosed pursuant to Rules 13.51(2) and 13.51(B)(1) of the Listing Rules, are set out below:

Upon the recommendation of the Remuneration Committee and the approval of the Board, the following changes took effect from 1 January 2024: -

(1) The fixed annual salary of Mr. LIU Tongyou, an executive Director, was adjusted to RMB2,960,000.

(2) The annual director fee of Mr. HO Kwok Yin, Eric, a non-executive Director, was adjusted to USD50,000.

(3) The annual director fee of Ms. CHIANG Yun, an independent non-executive Director, was adjusted to USD90,000.

Mr. Martin Pos, an executive Director, has stepped down as the Chief Executive Officer (the "**CEO**") of the Company on 21 March 2023 and Mr. Liu Tongyou, an executive Director, was appointed as the CEO on the same date.

Mr. SO Tak Young, an independent non-executive Director, resigned as an independent non-executive director of CARsgen Therapeutics Holdings Limited (stock code: 2171) on 30 June 2023.

Mr. Liu Tongyou, an executive Director, has resigned as a director of Kunshan Goodbaby Yijia Retail Co., Ltd.* on 27 July 2023.

EVENT AFTER THE REPORTING PERIOD

Details of the event after the reporting period of the Group are set out in note 44 to the Financial Statements.

FINANCIAL SUMMARY

The summary of the results, assets and liabilities of the Group in the past five financial years is set out in page 300 of this report.

PRE-EMPTIVE RIGHTS

There is no provision regarding pre-emptive rights in the articles of association of the Company or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's securities.

SUFFICIENT PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, as at the date of this annual report, the Company has maintained sufficient public float of not less than 25% of the Company's issued shares as required by the Listing Rules.

AUDITORS

The financial statements of the Company for the year ended 31 December 2023 have been audited by Ernst & Young, which will retire, and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

A resolution for the re-appointment of Ernst & Young as auditors of the Company is to be proposed at the forthcoming annual general meeting. There was no change in the auditor of the Company in the preceding three years.

For and on behalf of the Board of Directors
Song Zhenghuan
Chairman

26 March 2024

* *For identification purpose only*

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Goodbaby International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Goodbaby International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 175 to 299, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and intangible assets with indefinite lives	
The goodwill and other intangible assets with indefinite lives of the Group arose from business combinations amounted to HK$2,609 million and HK$1,631 million as at 31 December 2023, which represented 23% and 14% of the total assets, respectively. The Group is required to perform impairment testing on goodwill and intangible assets with indefinite life annually. Management's assessment process involves significant estimates and judgements, including assessing expected future cash flow forecasts, associated growth rates, budgeted gross margins and the discount rates applied. The Group's disclosures about goodwill and intangible assets with indefinite lives are included in Note 2.4, Note 3, and Note 16 to the consolidated financial statements.	Our audit procedures, among others, included an assessment of the evaluation of management and testing of key assumptions, methodologies, cash-generating unit determination, cash flow forecast and other data used by the Group. In performing audit procedures, we checked the sales assumption to historical actual sales with growth rates comparable to the market and assessed budgeted gross margin against historical trend and the discount rate assumption against the cost of equity and the cost of debt of comparable companies. We also involved our internal specialists to assist us in assessing the assumptions and methodologies used by the Group. We also assessed the adequacy of the Group's disclosures of the assumptions to which the outcome of the impairment test is more sensitive.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
Hong Kong
26 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2023

	Notes	2023	2022
		(HK$'000)	
Revenue	5	7,927,326	8,292,152
Cost of sales		(3,959,612)	(4,936,271)
Gross profit		3,967,714	3,355,881
Other income and gains	5	129,413	165,429
Selling and distribution expenses		(2,266,661)	(2,072,449)
Administrative expenses		(1,461,562)	(1,345,590)
Other expenses		(539)	(2,437)
Finance income	6	48,199	42,971
Finance costs	7	(215,552)	(137,906)
Share of profits and losses of:			
Joint ventures		(4,192)	(4,621)
An associate		(390)	(85)
PROFIT BEFORE TAX	8	**196,430**	**1,193**
Income tax credit	11	12,031	38,935
PROFIT FOR THE YEAR		**208,461**	**40,128**
Attributable to:			
Owners of the parent		203,496	33,487
Non-controlling interests		4,965	6,641
		208,461	40,128
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:	13		
Basic			
For profit for the year (HK$)		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	2022
	(HK$'000)	
PROFIT FOR THE YEAR	**208,461**	**40,128**
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(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 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)	**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

	Notes	31 December 2023	31 December 2022
		(HK$'000)	
NON-CURRENT ASSETS			
Property, plant and equipment	14	888,935	986,099
Right-of-use assets	15(a)	276,546	330,552
Goodwill	16	2,608,675	2,631,379
Other intangible assets	17	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	29	85,142	67,413
Pledged deposits	23	–	829,430
Time deposits	23	–	302,258
Other long-term assets	18	4,179	11,197
Total non-current assets		5,922,026	7,258,792
CURRENT ASSETS			
Inventories	19	1,462,781	1,902,009
Trade receivables	20	1,175,812	997,328
Prepayments and other receivables	21	597,599	572,204
Due from related parties	39	6,397	2,503
Financial assets at fair value through profit or loss	22	55,011	28,519
Cash and cash equivalents	23	981,899	921,961
Pledged deposits	23	612,028	16,018
Time deposits	23	549,998	–
Derivative financial instruments	24	9,903	15,361
Total current assets		5,451,428	4,455,903
CURRENT LIABILITIES			
Trade and bills payables	25	1,304,386	1,169,653
Other payables and accruals	26	920,041	784,438
Income tax payable		55,405	32,019
Provision	27	48,550	72,167
Interest-bearing bank loans and other borrowings	28	2,705,829	1,181,953
Lease liabilities	15(b)	107,127	102,936
Derivative financial instruments	24	42,013	44,098
Due to related parties	39	502	730
Defined benefit plan liabilities		379	359
Total current liabilities		5,184,232	3,388,353
NET CURRENT ASSETS		267,196	1,067,550
TOTAL ASSETS LESS CURRENT LIABILITIES		6,189,222	8,326,342

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2023

	Notes	31 December 2023	31 December 2022
		(HK$'000)	
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	28	88,018	2,172,825
Provision	27	25,451	29,295
Defined benefit plan liabilities		2,775	2,882
Other liabilities	30	1,563	1,934
Lease liabilities	15(b)	148,518	197,236
Deferred tax liabilities	29	295,164	364,517
Total non-current liabilities		561,489	2,768,689
Net assets		**5,627,733**	**5,557,653**
EQUITY			
Equity attributable to owners of the parent			
Share capital	31	16,680	16,680
Reserves	33	5,585,685	5,499,998
		5,602,365	5,516,678
Non-controlling interests		25,368	40,975
Total equity		**5,627,733**	**5,557,653**

SONG Zhenghuan
Director

LIU Tongyou
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2023

	Attributable to owners of the parent												
	Share capital	Share premium	Share option reserve	Statutory reserve funds	Cumulative translation adjustments	Defined benefit plans	Merger reserve	Capital reserve	Hedging reserve	Retained earnings	Total	Non-controlling interests	Total equity
	(HK$'000)												
	(note 31)			(note 33)			(note 33)						
At 31 December 2022 and 1 January 2023	16,680	3,320,411	207,590	265,117	(282,807)	5,858	153,975	(8,256)	(11,404)	1,849,514	5,516,678	40,975	5,557,653
Profit for the year	–	–	–	–	–	–	–	–	–	203,496	203,496	4,965	208,461
Remeasurement effects of defined benefit plans	–	–	–	–	–	(82)	–	–	–	–	(82)	–	(82)
Cash flow hedges, net of tax	–	–	–	–	–	–	–	–	(5,515)	–	(5,515)	–	(5,515)
Exchange differences on translation	–	–	–	–	(100,294)	–	–	–	–	–	(100,294)	307	(99,987)
Total comprehensive income for the year	–	–	–	–	(100,294)	(82)	–	–	(5,515)	203,496	97,605	5,272	102,877
Acquisition of non-controlling interest	–	–	–	–	–	–	–	(14,357)	–	–	(14,357)	(16,759)	(31,116)
Disposal of a subsidiary (note 34)	–	–	–	–	612	–	–	–	–	–	612	(4,120)	(3,508)
Profit appropriation	–	–	–	10,817	–	–	–	–	–	(10,817)	–	–	–
Equity-settled share option arrangements	–	–	1,827	–	–	–	–	–	–	–	1,827	–	1,827
Transfer of share option reserve upon the forfeiture or expiry of share options	–	–	(5,074)	–	–	–	–	–	–	5,074	–	–	–
At 31 December 2023	**16,680**	**3,320,411***	**204,343***	**275,934***	**(382,489)***	**5,776***	**153,975***	**(22,613)***	**(16,919)***	**2,047,267***	**5,602,365**	**25,368**	**5,627,733**
At 31 December 2021 and 1 January 2022	16,680	3,320,411	192,403	237,652	287,726	5,474	153,975	(8,256)	11,394	1,843,492	6,060,951	36,553	6,097,504
Profit for the year	–	–	–	–	–	–	–	–	–	33,487	33,487	6,641	40,128
Remeasurement effects of defined benefit plans	–	–	–	–	–	384	–	–	–	–	384	–	384
Cash flow hedges, net of tax	–	–	–	–	–	–	–	–	(22,798)	–	(22,798)	–	(22,798)
Exchange differences on translation	–	–	–	–	(570,533)	–	–	–	–	–	(570,533)	(2,219)	(572,752)
Total comprehensive income for the year	–	–	–	–	(570,533)	384	–	–	(22,798)	33,487	(559,460)	4,422	(555,038)
Profit appropriation	–	–	–	27,465	–	–	–	–	–	(27,465)	–	–	–
Equity-settled share option arrangements	–	–	15,187	–	–	–	–	–	–	–	15,187	–	15,187
At 31 December 2022	**16,680**	**3,320,411**	**207,590**	**265,117**	**(282,807)**	**5,858**	**153,975**	**(8,256)**	**(11,404)**	**1,849,514**	**5,516,678**	**40,975**	**5,557,653**

* These reserve accounts comprise the consolidated reserves of HK$5,585,685,000 (2022: HK$5,499,998,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2023

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES	(HK$'000)	
Profit before tax	196,430	1,193
Adjustments for:		
Finance costs	215,552	137,906
Share of profits and losses of:		
Joint ventures	4,192	4,621
An associate	390	85
Interest income	(48,199)	(42,971)
Gain on wealth investment products	(1,281)	(103)
Gain on disposal of items of property, plant and equipment	(67,694)	(22,342)
Gain on disposal of right-of-use assets	(6,797)	–
Loss on disposal of Intangible assets	665	49
Gain on disposal of a subsidiary	(678)	–
Fair value gains, net:		
Derivative instruments – transactions not qualifying as hedges	–	(12,470)
Call/put options over non-controlling interests	–	(10,010)
Revision of a lease term arising from a change in the non-cancellable period of a lease	(297)	(927)
Depreciation of property, plant and equipment	278,944	298,236
Depreciation of right-of-use assets	117,010	117,284
Amortisation of other intangible assets	69,071	66,554
Provision of inventories	31,610	8,032
Provision for impairment of receivables	17,069	9,346
Equity-settled share option expenses	1,827	15,187
	807,814	569,670
Decrease in inventories	405,281	492,760
(Increase)/decrease in trade receivables	(196,680)	240,736
Increase in prepayments and other receivables	(22,436)	(116,695)
(Increase)/decrease in amounts due from related parties	(3,894)	4,272
Decrease/(increase) in pledged deposits and time deposits	3,518	(4,031)
Decrease in derivative financial assets	5,458	25,185
Decrease in other long-term assets	7,018	97
Increase/(decrease) in trade and bills payables	134,926	(466,980)
Increase/(decrease) in other payables and accruals	166,925	(130,341)
Decrease in provision	(27,461)	(51,411)
(Decrease)/increase in derivative financial liabilities	(2,085)	39,838
(Decrease)/increase in amounts due to related parties	(228)	126
Decrease in defined benefit plan liabilities	(87)	(630)
Decrease in other liabilities	(371)	(195)
Cash generated from operations	1,277,698	602,401
Income tax refunded	9,775	17,594
Income tax paid	(64,560)	(68,473)
Net cash flows generated from operating activities	1,222,913	551,522

CASH FLOWS FROM INVESTING ACTIVITIES	Note	2023	2022
		(HK$'000)	
Interest received		21,210	18,563
(Purchase)/redemption of wealth investment products, net		(53,730)	7,851
Purchases of items of property, plant and equipment		(251,449)	(326,413)
Addition to other intangible assets		(41,422)	(33,522)
Proceeds from disposal of property, plant and equipment		65,171	27,485
Increase in investments in joint ventures		–	(7,753)
Investment in an associate		–	(4,677)
Net outflow of disposal of a subsidiary		(1,001)	–
Net cash flows used in investing activities		(261,221)	(318,466)
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of non-controlling interests		(13,648)	–
New bank loans		732,649	11,003,292
Repayment of bank loans		(1,319,430)	(11,091,612)
Interest paid		(189,584)	(118,832)
Principal portion of lease payments		(111,417)	(114,991)
Additions in pledged deposits and time deposits		–	(23,509)
Withdrawal in pledged deposits and time deposits		4,245	–
Net cash flows used in financing activities		(897,185)	(345,652)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		64,507	(112,596)
Cash and cash equivalents at beginning of year		921,961	1,087,413
Effect of foreign exchange rate changes, net		(4,569)	(52,856)
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	**981,899**	**921,961**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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
Subsidiaries		**Direct**	**Indirect**		
Goodbaby (Hong Kong) Limited ("GBHK")	Hong Kong, 23 July 1999	100%	–	Hong Kong Dollar ("HK$") 1,001	Investment holding and sales agent company
Goodbaby Child Products Co., Ltd. ("GCPC") (Note (a), (b) and (c))	The People's Republic of China ("PRC/Chinese Mainland"), 18 November 1994	–	100%	United States Dollar ("US$") 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") (Note (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") (Note (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") (Note (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
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

1. CORPORATE AND GROUP INFORMATION (Continued)

INFORMATION ABOUT SUBSIDIARIES (Continued)

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

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
Subsidiaries		**Direct**	**Indirect**		
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
Cybex Retail GmbH ("CBRG")	Germany, 20 October 2021	–	100%	EUR25,000	Wholesale and retail of children's products
Goodbaby (China) Retail & Service Company ("GRCN") (Note (a), (b) and (c))	PRC/Chinese Mainland, 11 May 2016	–	100%	RMB50,000,000	Wholesale and retail of children's products
Shanghai Goodbaby Children Fashion Co., Ltd. ("SHFS") (Note (a) and (b))	PRC/Chinese Mainland, 20 January 1998	–	100%	RMB20,000,000	Distribution and retail business of children's products
Goodbaby Nantong Fashion Co., Ltd. ("NTFS") (Note (a) and (b))	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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

1. CORPORATE AND GROUP INFORMATION (Continued)

INFORMATION ABOUT SUBSIDIARIES (Continued)

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. ACCOUNTING POLICIES

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.

2.1 BASIS OF PREPARATION (Continued)

BASIS OF CONSOLIDATION (Continued)

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(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.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB. However, the amendments are available for adoption now.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

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. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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 amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

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. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

INVESTMENTS IN AN ASSOCIATE AND JOINT VENTURES

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in an associate and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of an associate and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate or joint venture are eliminated to the extent of the Group's investment in the associate or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate or joint ventures is included as part of the Group's investment in an associate or joint ventures.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

INVESTMENTS IN AN ASSOCIATE AND JOINT VENTURES (Continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

BUSINESS COMBINATIONS AND GOODWILL (Continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash–generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

FAIR VALUE MEASUREMENT

The Group measures its derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for non-financial asset is required (other than inventories, deferred tax assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

RELATED PARTIES

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of items of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

	Estimated useful lives	Estimated residual value
Freehold land	Not depreciated	–
Buildings	20 years	0-10%
Plant and machinery	5-15 years	0-10%
Motor vehicles	3-5 years	0-10%
Furniture and fixtures	3-15 years	–
Leasehold improvements	The lesser of lease terms and useful lives	–

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (Continued)

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Trademarks

Trademarks are capitalised and amortised using the straight-line method over their estimated useful lives of ten to thirty years except for certain trademarks amounting to HK$1,631,132,000 (2022: HK$1,638,379,000) acquired through the business combinations of Columbus Holding GmbH, WP Evenflo Group Holdings, Inc. and Oasis Dragon Limited whose useful lives are indefinite, as their legal rights are capable of being renewed indefinitely at insignificant cost and therefore are perpetual in duration, and based on future financial performance of the Group, they are expected to generate positive cash flows indefinitely.

Computer software

Expenditure on computer software is capitalised and amortised using the straight-line method over its estimated useful life of five years to ten years.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

INTANGIBLE ASSETS (OTHER THAN GOODWILL) (Continued)

Patents, non-compete agreement and customer relationship

Expenditure on acquired patents, a non-compete agreement and customer relationship is capitalised and amortised using the straight-line method over their estimated useful lives of five to twenty years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

LEASES

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

LEASES (Continued)

Group as a lessee (Continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	10-50 years
Buildings	1-10 years
Plant and machinery	3-6 years
Motor vehicles	1-5 years
Furniture and fixtures	2-5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

LEASES (Continued)

Group as a lessee (Continued)

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (Continued)

Subsequent measurement (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

DERECOGNITION OF FINANCIAL ASSETS

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

DERECOGNITION OF FINANCIAL ASSETS (Continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

IMPAIRMENT OF FINANCIAL ASSETS

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

IMPAIRMENT OF FINANCIAL ASSETS (Continued)

General approach (Continued)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, and loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, derivative financial instruments and interest-bearing bank loans and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

FINANCIAL LIABILITIES (Continued)

Subsequent measurement (Continued)

Financial liabilities at fair value through profit or loss (Continued)

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Put option over non-controlling interests

During the process of acquiring the majority equity interests of subsidiaries, the Group provides the non-controlling shareholder with the right to dispose of its equity interests to the Group. The equity interests in the subsidiaries held by the non-controlling shareholder shall be recognised as non-controlling interests in the consolidated financial statements of the Group. At the same time, for the put option, the Group shall assume the obligations to redeem in cash the equity interests in the subsidiaries held by the non-controlling shareholder. The present value of the amount payable at the time of redemption of such put option shall be deducted from equity (other than non-controlling interests) and is recognised as a financial liability of the Group. Such financial liability shall be re-measured at the present value of the amount payable upon redemption in the subsequent period, with changes recognised in the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

DERECOGNITION OF FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.

- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (Continued)

Initial recognition and subsequent measurement (Continued)

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis, and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

PROVISIONS

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

PROVISIONS (Continued)

The Group provides for warranties in relation to the sale of certain products for general repair of defected occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate. The warranty-related cost is revised annually.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the policy for revenue recognition.

INCOME TAX

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates, except that deferred tax is not recognised for the Pillar Two income taxes.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, joint ventures and an associate when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

INCOME TAX (Continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, joint ventures and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

REVENUE RECOGNITION

Revenue from contracts with customers

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

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Some contracts for the sale of goods provide customers with rights of return and volume rebates, giving rise to variable consideration.

(i) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

REVENUE RECOGNITION (Continued)

Revenue from contracts with customers (Continued)

(a) Sale of goods (Continued)

(ii) Volume rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

(b) Rendering of testing services

Revenue from the rendering of testing services is recognised at the point in time when the service is rendered.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

CONTRACT LIABILITIES

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

SHARE-BASED PAYMENTS

The Company operates a share option scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 32 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

SHARE-BASED PAYMENTS (Continued)

This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

OTHER EMPLOYEE BENEFITS

Retirement benefits

Pursuant to the relevant regulations, the Group's subsidiaries which operate in Chinese Mainland participate in a local municipal government retirement benefit scheme, whereby the Group is required to contribute a certain percentage of the basic salaries of their employees to the scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group. The only obligation of the Group with respect to the scheme is to pay the ongoing required contributions under the scheme mentioned above. Contributions under the scheme are charged to the statement of profit or loss as incurred. There are no provisions under the scheme whereby forfeited contributions may be used to reduce future contributions.

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute part of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Group's U.S. operations and most other non-U.S. subsidiaries have separate defined contribution plans. The purpose of these defined contribution plans is generally to provide additional financial security during retirement by providing employees with an incentive to make regular savings. The Group's contributions to the plans are based on employee contributions or compensation.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

OTHER EMPLOYEE BENEFITS (Continued)

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Defined benefit plans

The costs of providing benefits under the defined benefit plans are determined using the projected unit credit actuarial valuation method.

Remeasurements arising from defined benefit plans, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to the consolidated profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and

- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "cost of sales" and "administrative expenses" in the consolidated statement of profit or loss by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements

- net interest expense or income

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

DIVIDENDS

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. The Board did not recommend the payment of any dividend for the years ended 31 December 2023 and 2022.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

FOREIGN CURRENCIES

These financial statements are presented in HK$, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

FOREIGN CURRENCIES (Continued)

The functional currencies of certain overseas subsidiaries and a joint venture are currencies other than the HK$. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into HK$ at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries and a joint venture are translated into HK$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries and a joint venture which arise throughout the year are translated into HK$ at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

JUDGEMENTS

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose suitable discount rates in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2023 was approximately HK$2,608,675,000 (2022: HK$2,631,379,000). Further details are given in note 16.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 20 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

ESTIMATION UNCERTAINTY (Continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2023 was HK$147,555,000 (2022: HK$78,971,000). The amount of unrecognised tax losses at 31 December 2023 was HK$49,688,000 (2022: HK$45,673,000). Details of unrecognised tax losses as at the end of the reporting period are contained in note 29.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

ESTIMATION UNCERTAINTY (Continued)

Write-down of inventories

The Group's inventories are stated at the lower of cost and net realisable value. The Group writes down its inventories based on estimates of the realisable value with reference to the age and conditions of the inventories, together with the economic circumstances on the marketability of such inventories. Inventories will be reviewed annually for write-down, if appropriate.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and provision of services, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each of the year based on changes in circumstances. Further details of the property, plant and equipment are set out in note 14 to the consolidated financial statements.

Provisions

Provisions for product warranties granted by the Group on its products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

The Group also makes provision for product liabilities which is based on estimated future costs to be incurred in claims. There are significant estimates included in the projection, which are the discount rate used and assessment on the possibility of outcome of the claims based on historical experience.

Defined benefit plans

The Group operates and maintains defined retirement benefit plans. The cost of providing the benefits in the defined retirement benefit plans is actuarially determined by utilising various actuarial assumptions and using the projected unit credit method. These assumptions include, without limitation, the selection of discount rates and healthcare trend rates.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

4. 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.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2023

	Strollers and accessories	Car seats and accessories	Non-durable products	Others	Consolidated
	(HK$'000)				
Segment revenue					
Sales to external customers	3,175,925	3,316,707	639,985	794,709	7,927,326
Segment results	**1,667,338**	**1,726,323**	**294,179**	**279,874**	**3,967,714**
Other income and gains					129,413
Corporate and other unallocated expenses					(3,740,049)
Other expenses					(539)
Finance income					48,199
Finance costs (other than interest on lease liabilities)					(203,726)
Share of profits and losses of joint ventures					(4,192)
Share of profits and losses of an associate					(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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2022

	Strollers and accessories	Car seats and accessories	Non-durable products	Others	Consolidated
	(HK$'000)				
Segment revenue					
Sales to external customers	3,313,938	3,190,042	799,695	988,477	8,292,152
Segment results	**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

4. OPERATING SEGMENT INFORMATION (Continued)

GEOGRAPHICAL INFORMATION

(a) Revenue from external customers

	European market	North America market	Chinese Mainland market	Other overseas markets	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.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

4. OPERATING SEGMENT INFORMATION (Continued)

GEOGRAPHICAL INFORMATION (Continued)

(b) Non-current assets

	2023	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.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

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

REVENUE FROM CONTRACTS WITH CUSTOMERS

(i) Disaggregated revenue information

For the year ended 31 December 2023

Segments	Strollers and accessories	Car seats and accessories	Non-durable products	Others	Total
	HK$'000				
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	**3,175,925**	**3,316,707**	**639,985**	**794,709**	**7,927,326**
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	**3,175,925**	**3,316,707**	**639,985**	**794,709**	**7,927,326**
Revenue from contracts with customers					
External customers	**3,175,925**	**3,316,707**	**639,985**	**794,709**	**7,927,326**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

5. REVENUE, OTHER INCOME AND GAINS (Continued)

REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

(i) Disaggregated revenue information (Continued)

For the year ended 31 December 2022

Segments	Strollers and accessories	Car seats and accessories	Non-durable products	Others	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	**3,313,938**	**3,190,042**	**799,695**	**988,477**	**8,292,152**
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	**3,313,938**	**3,190,042**	**799,695**	**988,477**	**8,292,152**
Revenue from contracts with customers					
External customers	**3,313,938**	**3,190,042**	**799,695**	**988,477**	**8,292,152**

5. REVENUE, OTHER INCOME AND GAINS (Continued)

REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

(i) Disaggregated revenue information (Continued)

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

(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	2022
	(HK$'000)	
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.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

5. REVENUE, OTHER INCOME AND GAINS (Continued)

OTHER INCOME AND GAINS

	2023	2022
	(HK$'000)	
Other income and gains:		
Net gain on disposal of property, plant and equipment and right-of-use assets (note (a))	74,491	22,342
Net foreign exchange gain	18,128	41,987
Government grants (note (b))	11,324	43,513
Gain on sales of scrap materials (note (c))	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 items 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.

6. FINANCE INCOME

	2023	2022
	(HK$'000)	
Interest income on bank deposits	**48,199**	**42,971**

7. FINANCE COSTS

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

8. PROFIT BEFORE TAX

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

	Notes	2023	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	14	278,944	298,236
Depreciation of right-of-use assets	15(a)	117,010	117,284
Amortisation of intangible assets	17	69,071	66,554
Research and development costs**		381,323	406,964
Lease payments not included in the measurement of lease liabilities	15(c)	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***		80,962	100,617
		1,714,381	1,802,509
Net foreign exchange gain		(18,128)	(41,987)
Impairment of trade receivables	20	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		(48,199)	(42,971)

* 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 costs, 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.

9. DIRECTORS' REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023	2022
	(HK$'000)	
Fees	3,158	3,121
Other emoluments:		
Salaries, allowances and benefits in kind	26,323	26,557
Performance-related bonuses	15,295	17
Equity-settled share option expenses	1,004	10,112
Pension scheme contributions	414	408
Subtotal	43,036	37,094
Total fees and other emoluments	**46,194**	**40,215**

(A) INDEPENDENT NON-EXECUTIVE DIRECTORS

The fees paid to independent non-executive directors during the year were as follows:

	2023	2022
	(HK$'000)	
Chiang Yun	470	408
Shi Xiaoguang	313	313
Jin Peng	235	235
Iain Ferguson Bruce*	–	196
So Tak Young	313	190
Total	**1,331**	**1,342**

* Mr. Iain Ferguson Bruce resigned as an independent non-executive director with effect in 2022.

There were no other emoluments payable to the independent non-executive directors in 2023 (2022: Nil).

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

9. DIRECTORS' REMUNERATION (Continued)

(B) EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTORS

2023

	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Equity-settled share option expenses	Pension scheme contributions	Total remuneration
	(HK$'000)					
Executive directors:						
Song Zhenghuan	–	3,312	–	–	–	3,312
Michael, Qu Nan	–	3,255	2,257	420	98	6,030
Martin Pos	–	12,225	10,493	–	–	22,718
Liu Tongyou*	–	3,790	2,545	529	158	7,022
Xia Xinyue	–	3,741	–	–	158	3,900
Subtotal	**–**	**26,323**	**15,295**	**949**	**414**	**42,981**
Non-executive directors:						
Eric, Ho Kwok Yin	235	–	–	–	–	235
Fu Jinqiu	1,592	–	–	55	–	1,647
Subtotal	**1,827**	**–**	**–**	**55**	**–**	**1,882**
Total	**1,827**	**26,323**	**15,295**	**1,004**	**414**	**44,863**

9. DIRECTORS' REMUNERATION (Continued)

(B) EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTORS (Continued)

2022

	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Equity-settled share option expenses	Pension scheme contributions	Total remuneration
	(HK$'000)					
Executive directors:						
Song Zhenghuan	–	3,479	–	–	–	3,479
Michael, Qu Nan	–	3,256	17	635	98	4,006
Martin Pos	–	11,909	–	5,468	–	17,377
Liu Tongyou*	–	3,982	–	801	155	4,938
Xia Xinyue	–	3,931	–	3,125	155	7,211
Subtotal	**–**	**26,557**	**17**	**10,029**	**408**	**37,011**
Non-executive directors:						
Eric, Ho Kwok Yin	235	–	–	–	–	235
Fu Jinqiu	1,544	–	–	83	–	1,627
Subtotal	**1,779**	**–**	**–**	**83**	**–**	**1,862**
Total	**1,779**	**26,557**	**17**	**10,112**	**408**	**38,873**

* Liu Tongyou is also the chief executive of the board.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2022: three), details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2022: two) non-directors, highest paid employees for the year are as follows:

	2023	2022
	(HK$'000)	
Salaries, allowances and benefits in kind	7,998	8,854
Performance related bonuses	5,846	1,323
Pension scheme contributions	215	264
Total	**14,059**	**10,441**

The number of non-directors, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2023	2022
HK$4,000,001 to HK$4,500,000	–	1
Over HK$4,500,001	2	1
Total	**2**	**2**

No amounts were paid by the Group to the directors or highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office (2022: None).

11. 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%.

11. INCOME TAX (Continued)

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.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

11. INCOME TAX (Continued)

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

	2023	2022
	(HK$'000)	
Current income tax	73,218	48,366
Deferred income tax (note 29)	(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	2022
	(HK$'000)	
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)**

12. DIVIDENDS

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

13. 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	2022
	(HK$'000)	
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**203,496**	**33,487**

	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*	–	–
Total	**1,668,031,166**	**1,668,031,166**

* 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.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

14. PROPERTY, PLANT AND EQUIPMENT

31 DECEMBER 2023

	Buildings and land	Plant and machinery	Motor vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
				(HK$'000)			
At 31 December 2022 and at 1 January 2023:							
Cost	596,979	1,333,220	22,682	382,844	426,842	67,040	2,829,607
Accumulated depreciation and impairment	(422,443)	(913,636)	(19,469)	(267,844)	(220,116)	–	(1,843,508)
Net carrying amount	**174,536**	**419,584**	**3,213**	**115,000**	**206,726**	**67,040**	**986,099**
At 1 January 2023, net of accumulated depreciation	174,536	419,584	3,213	115,000	206,726	67,040	986,099
Additions	1,776	33,245	906	20,869	59,629	135,024	251,449
Disposals	(5,738)	(9,359)	(103)	(1,904)	(56,099)	–	(73,203)
Depreciation provided during the year	(35,001)	(114,001)	(1,726)	(51,174)	(77,042)	–	(278,944)
Transfers	7,275	62,468	717	9,289	1,827	(81,576)	–
Exchange realignment	764	1,045	(61)	1,307	71	408	3,534
At 31 December 2023, net of accumulated depreciation and impairment	**143,612**	**392,982**	**2,946**	**93,387**	**135,112**	**120,896**	**888,935**
At 31 December 2023:							
Cost	551,876	1,383,283	21,895	400,288	426,222	120,896	2,904,460
Accumulated depreciation and impairment	(408,264)	(990,301)	(18,949)	(306,901)	(291,110)	–	(2,015,525)
Net carrying amount	**143,612**	**392,982**	**2,946**	**93,387**	**135,112**	**120,896**	**888,935**

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

31 DECEMBER 2022

	Buildings and land	Plant and machinery	Motor vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
	(HK$'000)						
At 31 December 2021 and at 1 January 2022:							
Cost	647,267	1,303,059	25,086	375,930	327,761	87,358	2,766,461
Accumulated depreciation	(427,570)	(871,929)	(18,283)	(251,897)	(165,151)	–	(1,734,830)
Net carrying amount	**219,697**	**431,130**	**6,803**	**124,033**	**162,610**	**87,358**	**1,031,631**
At 1 January 2022, net of accumulated depreciation	219,697	431,130	6,803	124,033	162,610	87,358	1,031,631
Additions	5,374	46,087	36	34,192	126,802	118,659	331,150
Disposals	(8,120)	(287)	(53)	(871)	(549)	–	(9,880)
Depreciation provided during the year	(39,115)	(129,435)	(3,485)	(50,628)	(75,573)	–	(298,236)
Transfers	8,961	98,185	281	15,810	10,132	(133,369)	–
Exchange realignment	(12,261)	(26,096)	(369)	(7,536)	(16,696)	(5,608)	(68,566)
At 31 December 2022, net of accumulated depreciation and impairment	**174,536**	**419,584**	**3,213**	**115,000**	**206,726**	**67,040**	**986,099**
At 31 December 2022:							
Cost	596,979	1,333,220	22,682	382,844	426,842	67,040	2,829,607
Accumulated depreciation and impairment	(422,443)	(913,636)	(19,469)	(267,844)	(220,116)	–	(1,843,508)
Net carrying amount	**174,536**	**419,584**	**3,213**	**115,000**	**206,726**	**67,040**	**986,099**

At 31 December 2023, no machinery (31 December 2022: certain machinery with a carrying amount of approximately HK$2,347,000) were pledged to secure bank loan granted to the Group (note 28).

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

15. LEASES

THE GROUP AS A LESSEE

The Group has lease contracts for various items of plant and machinery, motor vehicles and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 10 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of plant and machinery generally have lease terms between 3 and 6 years. Buildings generally have lease term between 1 and 10 years. Furniture and fixtures generally have lease terms between 2 and 5 years, while motor vehicles generally have lease terms between 2 and 5 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land	Buildings	Plant and machinery	Motor vehicles	Furniture and fixtures	Total
	(HK$'000)					
As at 1 January 2022	47,752	268,235	2,373	15,934	2,255	336,549
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(750)	–	–	–	(750)
Additions	–	123,196	128	10,267	3,467	137,058
Depreciation charge	(1,557)	(101,978)	(970)	(9,071)	(3,708)	(117,284)
Exchange realignment	(4,433)	(19,480)	3	(970)	(141)	(25,021)
As at 31 December 2022 and 1 January 2023	41,762	269,223	1,534	16,160	1,873	330,552
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(1,217)	–	–	–	(1,217)
Additions	–	53,480	3,548	11,418	–	68,446
Disposals	(2,687)	–	–	–	–	(2,687)
Depreciation charge	(1,210)	(102,114)	(1,627)	(11,435)	(624)	(117,010)
Exchange realignment	(1,353)	(761)	(1)	527	50	(1,538)
As at 31 December 2023	**36,512**	**218,611**	**3,454**	**16,670**	**1,299**	**276,546**

15. LEASES (Continued)

THE GROUP AS A LESSEE (Continued)

(b) Lease liabilities

	2023	2022
	(HK$'000)	
Carrying amount at 1 January	300,172	300,904
New leases	68,446	137,058
Revision of a lease term arising from a change in the non-cancellable period of a lease	(1,514)	(1,677)
Interest expense	11,826	11,005
Payments	(123,243)	(125,996)
Exchange realignment	(42)	(21,122)
Carrying amount at 31 December	**255,645**	**300,172**
Analysed into:		
Current portion	107,127	102,936
Non-current portion	**148,518**	**197,236**

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023	2022
	(HK$'000)	
Interest on lease liabilities	11,826	11,005
Depreciation charge of right-of-use assets	117,010	117,284
Expense relating to short-term leases	16,365	25,366
Expense relating to leases of low-value assets	256	–
Variable lease payments not included in the measurement of lease liabilities	1,492	1,121
Total amount recognised in profit or loss	**146,949**	**154,776**

(d) The total cash outflow for leases is disclosed in note 35(c) to the financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

16. GOODWILL

	(HK$'000)
Cost and net carrying amount at 1 January 2022	2,812,866
Exchange realignment	(181,487)
Cost and net carrying amount at 31 December 2022 and 1 January 2023	2,631,379
Exchange realignment	(22,704)
Cost and net carrying amount at 31 December 2023	**2,608,675**

IMPAIRMENT TESTING OF CASH-GENERATING UNITS ("CGU")

Goodwill is allocated to the following CGU for impairment testing:

	2023	2022
	(HK$'000)	
Manufacture and export of stroller-related products unit	13,761	14,002
Evenflo unit	615,670	614,291
Columbus unit	192,504	185,359
NICAM unit	5,198	5,005
Oasis Dragon unit	1,781,542	1,812,722
	2,608,675	**2,631,379**

Trademarks with indefinite useful lives are allocated to the following CGU for impairment testing:

	2023	2022
	(HK$'000)	
Evenflo unit	138,022	137,713
Columbus unit	340,080	327,456
Oasis Dragon unit	1,153,030	1,173,210
	1,631,132	**1,638,379**

16. GOODWILL (Continued)

IMPAIRMENT TESTING OF CASH-GENERATING UNITS ("CGU") (Continued)

Manufacture and export of stroller-related products unit

The recoverable amount of the manufacture and export of stroller-related products unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The growth rate used to extrapolate the cash flows of manufacture and export of stroller-related products unit beyond the five-year period is 2.2% (2022: 2.3%). The pre-tax discount rate applied to the cash flow projections as at 31 December 2023 was 16.5% (2022: 16.7%).

Evenflo unit

The recoverable amount of the Evenflo unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The growth rate used to extrapolate the cash flows of the Evenflo unit beyond the five-year period is 2.0% (2022: 2.0%). The pre-tax discount rate applied to the cash flow projections as at 31 December 2023 was 12.0% (2022: 12.2%).

Columbus unit

The recoverable amount of the Columbus unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The growth rate used to extrapolate the cash flows of Columbus unit beyond the five-year period is 2.0% (2022: 2.0%). The pre-tax discount rate applied to the cash flow projections as at 31 December 2023 was 17.7% (2022: 16.3%).

NICAM unit

The recoverable amount of the NICAM unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The growth rate used to extrapolate the cash flows of NICAM unit beyond the five-year period is 2.0% (2022: 2.0%). The pre-tax discount rate applied to the cash flow projections as at 31 December 2023 was 18.0% (2022: 16.9%).

Oasis Dragon unit

The recoverable amount of the Oasis Dragon unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The growth rate used to extrapolate the cash flows of Oasis Dragon unit beyond the five-year period is 2.2% (2022: 2.3%). The pre-tax discount rate applied to the cash flow projections as at 31 December 2023 was 14.7% (2022: 14.8%).

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

16. GOODWILL (Continued)

KEY ASSUMPTIONS USED IN THE VALUE IN USE CALCULATION

Assumptions were used in the value in use calculation of the above cash-generating units for each reporting date. The following describes each key assumption on which senior management has based its cash flow projections to undertake impairment testing of goodwill:

"Budgeted gross margins" — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year. These are increased over the budget period for anticipated efficiency improvements and market expansion.

"Discount rate" — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to key assumptions are consistent with external information sources. The management believe that any reasonably adverse changes in any of the key assumptions would not cause the carrying amounts of the the above cash-generating units to exceed their recoverable amounts.

17. OTHER INTANGIBLE ASSETS

31 DECEMBER 2023

	Trademarks	Computer software	Non-compete agreement	Customer relationship	Patents	Total
	(HK$'000)					
At 31 December 2022 and at 1 January 2023:						
Cost	1,684,976	167,168	6,848	546,304	81,097	2,486,393
Accumulated amortisation	(33,827)	(98,077)	(6,848)	(214,856)	(46,214)	(399,822)
Net carrying amount	**1,651,149**	**69,091**	**–**	**331,448**	**34,883**	**2,086,571**
At 1 January 2023, net of accumulated amortisation	1,651,149	69,091	–	331,448	34,883	2,086,571
Additions	–	39,746	–	–	1,676	41,422
Disposals	(81)	(584)	–	(2,995)	–	(3,660)
Amortisation provided during the year	(2,147)	(24,892)	–	(37,371)	(4,661)	(69,071)
Exchange realignment	(5,759)	(797)	–	(2,813)	(868)	(10,237)
At 31 December 2023, net of accumulated depreciation	**1,643,162**	**82,564**	**–**	**288,269**	**31,030**	**2,045,025**
At 31 December 2023:						
Cost	1,677,627	208,165	7,066	539,847	83,977	2,516,682
Accumulated amortisation	(34,465)	(125,601)	(7,066)	(251,578)	(52,947)	(471,657)
Net carrying amount	**1,643,162**	**82,564**	**–**	**288,269**	**31,030**	**2,045,025**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

17. OTHER INTANGIBLE ASSETS (Continued)

31 DECEMBER 2022

	Trademarks	Computer software	Non-compete agreement	Customer relationship	Patents	Total
	(HK$'000)					
At 31 December 2021 and at 1 January 2022:						
Cost	1,816,735	137,532	7,297	590,187	77,956	2,629,707
Accumulated amortisation	(36,676)	(70,505)	(7,221)	(192,952)	(40,798)	(348,152)
Net carrying amount	**1,780,059**	**67,027**	**76**	**397,235**	**37,158**	**2,281,555**
At 1 January 2022, net of accumulated amortisation	1,780,059	67,027	76	397,235	37,158	2,281,555
Additions	1,595	27,364	–	–	7,577	36,536
Disposals	–	(49)	–	–	–	(49)
Amortisation provided during the year	(2,059)	(20,527)	(72)	(38,313)	(5,583)	(66,554)
Exchange realignment	(128,446)	(4,724)	(4)	(27,474)	(4,269)	(164,917)
At 31 December 2022, net of accumulated depreciation	**1,651,149**	**69,091**	**–**	**331,448**	**34,883**	**2,086,571**
At 31 December 2022:						
Cost	1,684,976	167,168	6,848	546,304	81,097	2,486,393
Accumulated amortisation	(33,827)	(98,077)	(6,848)	(214,856)	(46,214)	(399,822)
Net carrying amount	**1,651,149**	**69,091**	**–**	**331,448**	**34,883**	**2,086,571**

18. OTHER LONG-TERM ASSETS

Other long-term assets represent a deposit for insurance over one year of HK$4,179,000 (2022: HK$11,197,000).

19. INVENTORIES

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

20. TRADE RECEIVABLES

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

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	2022
	(HK$'000)	
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
Total	**1,175,812**	**997,328**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

20. TRADE RECEIVABLES (Continued)

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

	2023	2022
	(HK$'000)	
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)
At end of year	**56,234**	**42,709**

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**

20. TRADE RECEIVABLES (Continued)

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**

21. PREPAYMENTS AND OTHER RECEIVABLES

	2023	2022
	(HK$'000)	
Prepayments	57,814	147,112
Other receivables	399,475	308,540
Value added tax ("VAT") recoverable	124,942	104,304
Income tax receivable	15,368	12,248
Total	**597,599**	**572,204**

The above balances are unsecured, interest-free and have no fixed terms of repayment.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2023 and 2022, the loss allowance was assessed to be minimal.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	(HK$'000)	
Wealth investment products	55,011	–
Call options over non-controlling interests with an expiration date within one year	–	28,519
Total	**55,011**	**28,519**

The above wealth investment products were placed with a licensed financial institution in Chinese Mainland and can be redeemed at any time. The carrying values of these investments approximated their fair values as at 31 December 2023.

23. CASH AND CASH EQUIVALENTS

	Notes	2023	2022
		(HK$'000)	
Cash and bank balances		1,023,146	956,567
Time deposits	(i)	1,120,779	1,113,100
		2,143,925	**2,069,667**
Less: Pledged deposits for:			
Certain standby letter of credit and guarantee		(575,469)	(798,515)
Accrued interest of pledged deposits and time deposits	(i)	(68,988)	(42,902)
Non-pledged time deposits with original maturity of more than three months when acquired	(ii)	(517,103)	(302,258)
Other restricted bank balances		(466)	(4,031)
Cash and cash equivalents		**981,899**	**921,961**

Note (i): The time deposits held by the Group as of 31 December 2023 bear interest at 2.70% to 3.91% per annum with a duration of 36 months. These deposits are measured at amortised cost and interest income from these time deposits is measured using the effective interest rate method.

Note (ii): As of 31 December 2023, certain time deposits with an amount of HK$220,044,000 were pledged for long term bank loans, which loans have been repaid in 2023. The Group has released the pledge in January 2024.

23. CASH AND CASH EQUIVALENTS (Continued)

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$549,655,000 (2022: HK$767,917,000), included in which is cash-in-transit of HK$34,519,000 (2022: HK$23,390,000). The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

24. DERIVATIVE FINANCIAL INSTRUMENTS

	2023	
	Assets	Liabilities
	(HK$'000)	
Forward currency contracts		
– designated as hedging instruments	9,903	42,013

	2022	
	Assets	Liabilities
	(HK$'000)	
Forward currency contracts		
– designated as hedging instruments	15,361	44,098

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

24. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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	1.1320	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	–	–	–	–	

24. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

CASH FLOW HEDGE – FOREIGN CURRENCY RISK (Continued)

The Group holds the following foreign exchange forward contracts: (Continued):

	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$'000)	22,701	42,158	38,569	35,159	28,410	166,997
Average forward rate (JPY/EUR)	0.0059	0.0068	0.0068	0.0068	0.0068	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK$'000)	2,833	–	–	–	–	2,833
Average forward rate (EUR/PLN)	4.3458	–	–	–	–	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK$'000)	41,498	41,378	35,774	24,565	6,320	149,535
Average forward rate (PLN/EUR)	0.2191	0.2194	0.2188	0.2173	0.2178	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK$'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	–	

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

24. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

	Notional amounts	Carrying amounts	Line item in the statement of financial position
	(HK$'000)		
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	Hedging reserve
	(HK$'000)	
As at 31 December 2023		
Highly probable forecast sales	**(26,595)**	**(5,515)**

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 recognized 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	Tax effects	Total			Gross amounts	Tax effects	Total	
	(HK$'000)					(HK$'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

25. 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	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	**1,304,386**	**1,169,653**

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.

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YEAR ENDED 31 DECEMBER 2023

26. OTHER PAYABLES AND ACCRUALS

		2023	2022
		(HK$'000)	
Other payables	(a)	209,840	204,819
Contract liabilities	(b)	138,626	122,868
Accruals		571,575	456,751
Total		**920,041**	**784,438**

(a) Other payables are non-interest-bearing and repayable on demand.

(b) Details of contract liabilities are as follows:

	31 December 2023	31 December 2022
	(HK$'000)	
Short-term advances from customers		
Sale of goods	138,550	122,456
Rendering of testing services	76	412
Total	**138,626**	**122,868**

Contract liabilities include short-term advances received to deliver goods and render testing services. The increase in contract liabilities in 2023 was mainly due to the increase in short-term advances from customers in relation to the sale of goods.

27. PROVISION

	Product warranties and liabilities
	(HK$'000)
Balance at 1 January 2022	152,873
Additional provision	45,253
Amounts utilised	(93,588)
Exchange realignment	(3,076)
Balance at 31 December 2022 and 1 January 2023	101,462
Additional provision	14,006
Amounts utilised	(43,081)
Exchange realignment	1,614
Balance at 31 December 2023	**74,001**
Portion classified as current liabilities	48,550
Non-current portion	**25,451**

The Group provides warranties to its customers on certain of its products, under which faulty products are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate. As at 31 December 2023, the amount of product warranties was HK$43,046,000.

In addition, the Group estimates future cash outflows in relation to the indemnity provided to its customers for damages or injuries caused in connection with the use of the Group's sold products. The amount of cash outflows is estimated based upon an annual review by the management of the Group with patterns of past experience of how the Group discharged its obligation. As at 31 December 2023, the amount of product liabilities was HK$30,955,000.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

28. 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	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**

28. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS (Continued)

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

	2023	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	2022
	(HK$'000)	
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	2,793,847	3,354,778

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 with a carrying amount of approximately 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%).

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

29. DEFERRED TAX

The movements in deferred tax assets and liabilities of the Group during the year are as follows:

DEFERRED TAX ASSETS:

	Write-down of inventories	Leases	Accruals	Losses available for offsetting against future taxable profits	Unrealised profit	Others	Total
				(HK$'000)			
As at 1 January 2022	12,464	54,417	48,389	29,616	77,524	25,975	248,385
(Charged)/credited to profit or loss (note 11)	(2,392)	14,620	(18,015)	51,586	16,090	27,629	89,518
Charged to other comprehensive income	–	–	–	–	–	(309)	(309)
Exchange realignment	(565)	(3,460)	(821)	(2,231)	(1,835)	(414)	(9,326)
As at 31 December 2022 and 1 January 2023	9,507	65,577	29,553	78,971	91,779	52,881	328,268
(Charged)/credited to profit or loss (note 11)	(2,336)	(11,183)	3,156	67,177	(7,078)	6,323	56,059
Credited to other comprehensive income	–	–	–	–	–	989	989
Exchange realignment	(260)	370	374	1,407	1,188	(3,414)	(335)
As at 31 December 2023	**6,911**	**54,764**	**33,083**	**147,555**	**85,889**	**56,779**	**384,981**

29. DEFERRED TAX (Continued)

DEFERRED TAX LIABILITIES:

	Withholding tax on undistributed profits	Depreciation	Leases	Other intangible assets	Others	Total
	(HK$'000)					
At 1 January 2022	20,923	31,814	51,907	554,050	15,522	674,216
Charged/(credited) to profit or loss (note 11)	–	6,964	14,678	(13,761)	(5,664)	2,217
Credited to other comprehensive income	–	–	–	–	(3,975)	(3,975)
Exchange realignment	(995)	(2,383)	(3,379)	(40,296)	(33)	(47,086)
At 31 December 2022 and 1 January 2023	19,928	36,395	63,206	499,993	5,850	625,372
Charged/(credited) to profit or loss (note 11)	–	(13,037)	(10,863)	(11,244)	5,954	(29,190)
Charged to other comprehensive income	–	–	–	–	274	274
Exchange realignment	1,106	(207)	(236)	(1,839)	(277)	(1,453)
At 31 December 2023	**21,034**	**23,151**	**52,107**	**486,910**	**11,801**	**595,003**

Pursuant to the EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Chinese Mainland. The requirement is effective from 1 January 2008 and applies to earnings generated after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Chinese Mainland and the jurisdiction of the foreign investors. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. The applicable tax rate of the Group is 10%.

Pursuant to the Board resolutions of GCPC and its subsidiaries, all of which are directly or indirectly controlled by GBHK, profits earned by the aforesaid subsidiaries in 2023 will not be appropriated to GBHK as at 31 December 2023 and in the foreseeable future. Hence, the deferred tax liability arising from the withholding tax on profits generated by the aforesaid companies in the current year is not applicable as of 31 December 2023.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

29. DEFERRED TAX (Continued)

At 31 December 2023, other than the amount recognised in the consolidated financial statements, deferred tax has not been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Chinese Mainland. In the opinion of the directors, it is not probable that these subsidiaries will distribute such remaining earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Chinese Mainland for which deferred tax liabilities have not been recognised was HK$2,894,020,000 at 31 December 2023 (2022: HK$2,637,669,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

For presentation purposes, certain deferred tax assets and liabilities within the same tax jurisdiction have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2023	2022
	(HK$'000)	
Reflected in the consolidated statement of financial position:		
– Deferred tax assets	85,142	67,413
– Deferred tax liabilities	295,164	364,517

Deferred tax assets have not been recognised in respect of the following items:

	2023	2022
	(HK$'000)	
Tax losses	**49,688**	**45,673**

The Group has tax losses arising in Germany of HK$23,526,000 (2022: HK$26,090,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group has tax losses arising in Hong Kong of HK$20,705,000 (2022: HK$14,212,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Chinese Mainland of HK$5,457,000 (2022: HK$5,371,000) that will expire in five to ten years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of the above item as it is not considered probable that taxable profits will be available against which the above item can be utilised.

30. OTHER LIABILITIES

Included in other liabilities is employee compensation of HK$1,563,000 (2022: HK$1,934,000) of overseas subsidiaries.

31. SHARE CAPITAL

	As at 31 December 2023	As at 31 December 2022
	(HK$'000)	
Issued and fully paid:		
1,668,031,166 (2022: 1,668,031,166) ordinary shares	**16,680**	**16,680**

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital	Share premium	Total
	('000)	(HK$'000)	(HK$'000)	(HK$'000)
At 1 January 2022	1,668,031	16,680	3,320,411	3,337,091
At 31 December 2022 and 1 January 2023	1,668,031	16,680	3,320,411	3,337,091
At 31 December 2023	**1,668,031**	**16,680**	**3,320,411**	**3,337,091**

32. 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.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

32. SHARE OPTION SCHEME (Continued)

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.

32. SHARE OPTION SCHEME (Continued)

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	Number of options
	HK$ per share	’000
At 1 January 2022	3.989	106,680
Forfeited during the year	3.750	(2,810)
At 31 December 2022 and 1 January 2023	3.996	103,870
Forfeited during the year	3.602	(3,690)
At 31 December 2023	**4.010**	**100,180**

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

32. SHARE OPTION SCHEME (Continued)

(A) 2010 SHARE OPTION SCHEME (Continued)

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	Exercise price	Exercise period
'000	HK$ per share	
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
100,180		

32. SHARE OPTION SCHEME (Continued)

(A) 2010 SHARE OPTION SCHEME (Continued)

2022

Number of options	Exercise price	Exercise period
'000	HK$ per share	
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
103,870		

(B) 2020 SHARE OPTION SCHEME

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

32. SHARE OPTION SCHEME (Continued)

(B) 2020 SHARE OPTION SCHEME (Continued)

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	Exercise price	Exercise period
'000	HK$ per share	
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
26,523		

32. SHARE OPTION SCHEME (Continued)

(B) 2020 SHARE OPTION SCHEME (Continued)

2022

Number of options	Exercise price	Exercise period
'000	HK$ per share	
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
28,431		

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YEAR ENDED 31 DECEMBER 2023

32. SHARE OPTION SCHEME (Continued)

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 (HKS)	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.

33. RESERVES

The changes in the reserves of the Group during the year have been disclosed in the consolidated statement of changes in equity of the Group.

STATUTORY RESERVE FUNDS

Statutory reserve funds comprise:

(i) Reserve fund

PRC laws and regulations require wholly – foreign-owned enterprises ("WFOE") to provide for the reserve fund by appropriating a part of the net profit (based on the entity's statutory accounts) before dividend distribution. Each subsidiary being WFOE is required to appropriate at least 10% of its net profit after tax to the reserve fund until the balance of this fund reaches 50% of its registered capital. The reserve fund can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital.

(ii) Enterprise expansion fund

In accordance with the relevant regulations and the articles of association of the Group's PRC subsidiaries, appropriations from net profit should be made to the enterprise expansion fund, after offsetting accumulated losses from prior years, and before profit distributions to the investors for the subsidiaries registered in the PRC as foreign invested companies. The percentages to be appropriated to the enterprise expansion fund are determined by the boards of directors of the subsidiaries.

(iii) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the Group's PRC subsidiaries, a subsidiary registered in the PRC as a domestic company is required to appropriate 10% of its annual statutory net profit (after offsetting any prior years' losses) to the statutory surplus reserve. When the balance of this reserve fund reaches 50% of the entity's capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after these usages.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

33. RESERVES (Continued)

MERGER RESERVE

As at 31 December 2023, the merger reserve represents the following:

(i) In 2001, the Group acquired GCPC from GCPC's then shareholders through the issue of the Company's shares to GCPC's then shareholders. The difference between the nominal value of the Company's share of the paid-up capital of GCPC and the par value of the Company's shares issued amounting to HK$108,281,000 was recognised in the merger reserve account.

(ii) In 2007, Geoby Electric Vehicle Co., Ltd. ("GPCL") was established to take over certain operations from the Group and the net asset value of the discontinued operation over the consideration received amounting to HK$1,362,000 was recognised as a deemed distribution in the merger reserve account.

(iii) The Group acquired the wooden products and E-car businesses through acquiring a 100% equity interest in PCPC in June 2010 and this acquisition was accounted for using the pooling of interests method. Prior to the establishment of PCPC on 5 November 2008, the wooden products and E-car businesses were carried out by a fellow subsidiary, GPCL. Upon establishment, PCPC acquired all the assets and liabilities related to the wooden products and E-car businesses from GPCL at their respective book values and continued the wooden products and E-car businesses afterwards. Accordingly, the retained earnings of HK$11,357,000 in respect of the wooden products and E-car businesses generated prior to the establishment of PCPC were capitalised in the merger reserve account in 2008.

(iv) In 2010, the Group disposed of its equity interests in Goodbaby (China) Commercial Co., Ltd. ("GCCL"), Shanghai Goodbaby Fashion Co., Ltd. ("SHFS"), Shanghai Online Service Co., Ltd. ("SGOL"), Ricky Bright Limited ("RCBL"), Mothercare Goodbaby China Retail Limited ("MGCR") and Mothercare-Goodbaby Retailing Co., Ltd. ("MGRL") to G-Baby Holdings Limited ("GBHL") for a consideration of HK$287,936,000 in aggregate. The consideration over the net asset value of the discontinued operations amounting to HK$35,699,000 was recognised as a deemed contribution in the merger reserve account.

HEDGING RESERVE

The hedging reserve comprises the effective portion of the cumulative net gain or loss on the hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flows in accordance with the accounting policy adopted for cash flow hedges.

34. DISPOSAL OF A SUBSIDIARY

	2023	2022
	(HK$'000)	
Net assets disposed of:		
Cash and bank balances	6,579	–
Trade receivables	1,127	–
Prepayments and other receivables	161	–
Inventories	2,337	–
Trade payables	(193)	–
Accruals and other payables	(1,603)	–
Non-controlling interests	(4,120)	–
Subtotal	4,288	–
Exchange fluctuation reserve	612	–
Gain on disposal of a subsidiary	678	–
Total consideration	5,578	–
Satisfied by:		
Cash	**5,578**	**–**

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2023	2022
	(HK$'000)	
Cash consideration	5,578	–
Cash and bank balances disposed of	(6,579)	–
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	**(1,001)**	**–**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(A) MAJOR NON-CASH TRANSACTIONS

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$68,446,000 (2022: HK$137,058,000) and HK$68,446,000 (2022: HK$137,058,000), respectively, in respect of lease arrangements for plant and equipment.

During the year, certain pledged time deposits with an amount of HK$220,044,000 (2022: HK$302,258,000) were reclassified to time deposit, due to the repayment of related bank borrowings and the Group has released the pledge.

(B) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES:

2023

	Interest-bearing bank loans and other borrowings	Lease liabilities
	(HK$'000)	
At 1 January 2023	3,354,778	300,172
Changes from financing cash flows	(586,781)	(123,243)
New leases	–	68,446
Interest expense	25,968	11,826
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(1,514)
Foreign exchange realignment	(118)	(42)
At 31 December 2023	**2,793,847**	**255,645**

2022

	Interest-bearing bank loans and other borrowings	Lease liabilities
	(HK$'000)	
At 1 January 2022	3,517,484	300,904
Changes from financing cash flows	(88,320)	(125,996)
New leases	–	137,058
Interest expense	20,769	11,005
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(1,677)
Foreign exchange realignment	(95,155)	(21,122)
At 31 December 2022	**3,354,778**	**300,172**

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(C) TOTAL CASH OUTFLOW FOR LEASES:

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023	2022
	(HK$'000)	
Within operating activities	18,113	26,487
Within financing activities	123,243	125,996
Total	**141,356**	**152,483**

36. 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.

37. PLEDGE OF ASSETS

Details of the Group's assets pledged for business operation are included in notes 14, 23 and 28 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

38. COMMITMENTS

The Group had the following capital commitments as at 31 December:

	2023	2022
	(HK$'000)	
Property plant and equipment	7,024	3,768
Capital contributions payable to an associate	–	4,478
Total	**7,024**	**8,246**

39. RELATED PARTY TRANSACTIONS AND BALANCES

(A) NAME AND RELATIONSHIP

Name of related party	Relationship with the Group
Mr. Song Zhenghuan ("Mr. Song")	Director and one of the ultimate shareholders of the Company
Goodbaby China Holdings Limited ("CAGB")	Controlled by Mr. Song and his spouse
Goodbaby Group Pingxiang Co., Ltd. ("GGPX")	Wholly owned by GGCL
Suzhou Goodbaby Qingtao Technology Service Co., Ltd. ("GCQT")	Joint venture
Goodbaby Mechatronics s.r.o. ("GBMS")	Joint venture
Kunshan Goodbaby Tommee Tippee Child Products Co., Ltd. ("GCTP")	Joint venture

39. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(B) RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	2023	2022
	(HK$'000)	
Sales of goods to related parties (note (a))		
GCQT	1,545	309
CAGB and its subsidiaries#	8	1,112
	1,553	1,421
Purchase of goods from related parties (note (b))		
GCQT	723	57
Service charge from a related party (note (c))		
GCQT	6,175	7,300
Expenses paid on behalf of related parties		
CAGB and its subsidiaries	2,415	–

Note (a): The sales of goods to the related parties were made according to the prices and terms agreed with the related parties.

Note (b): The purchase of goods from the related party was made according to the prices and terms agreed with the related party.

Note (c): The service charge from the related party was made according to the prices and terms agreed with the related party.

\# The related party transactions marked with # above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules, which are exempted from the independent shareholders' approval, but subject to the reporting, annual review and announcement requirements of the Listing Rules.

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YEAR ENDED 31 DECEMBER 2023

39. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(C) OUTSTANDING BALANCES WITH RELATED PARTIES

The amounts due from related parties are unsecured, interest-free and repayable in 120 days.

	2023	2022
	(HK$'000)	
Amounts due from related parties:		
GCQT	3,997	2,503
CAGB and its subsidiaries	2,400	–
	6,397	**2,503**
Lease liabilities due to a related party (note (a)):		
GGPX	**16,184**	**38,517**
Amounts due to related parties:		
GBMS	502	282
GCTP	–	448
	502	**730**

Note (a): The Group has entered into lease agreements in respect of certain warehouse and plant from GGPX. At 31 December 2023, the Group recognised right-of-use assets of HK$14,842,000 and lease liabilities of HK$16,184,000. The transactions were made according to the prices and terms agreed with the related parties.

(D) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

	2023	2022
	(HK$'000)	
Short term employee benefits	52,688	40,090
Equity-settled share option expense	1,124	8,501
Post-employment benefits	1,051	791
Total compensation paid to key management personnel	**54,862**	**49,382**

Further details of directors' remuneration are included in note 9 to the financial statements.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2023	2022	2023	2022
	(HK$'000)			
Financial assets				
Derivative financial instruments	9,903	15,361	9,903	15,361
Pledged deposits, non-current portion	–	829,430	–	829,430
Time deposits, non-current portion	–	302,258	–	302,258
Financial assets at fair value through profit or loss – call options over non-controlling interests	–	28,519	–	28,519
Financial assets at fair value through profit or loss – wealth investment products	55,011	–	55,011	–
Total	**64,914**	**1,175,568**	**64,914**	**1,175,568**
Financial liabilities				
Derivative financial instruments	42,013	44,098	42,013	44,098
Interest-bearing bank loans and other borrowings	2,793,847	3,354,778	2,789,052	3,354,064
Total	**2,835,860**	**3,398,876**	**2,831,065**	**3,398,162**

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, time deposits, trade receivables, financial assets included in prepayments, other receivables, current interest-bearing bank loans and other borrowings, trade and bills payables, other liabilities, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments. The carrying amount of the non-current interest-bearing bank loans and other borrowings of the Group approximates to their fair value because the loans have a floating interest rate.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The finance manager of each subsidiary of the Group is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The Group's finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Chinese Mainland. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with high credit ratings. Derivative financial instruments, i.e., forward currency contracts, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts are the same as their fair values.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

FAIR VALUE HIERARCHY

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	31 December 2023	Fair value measurement using		
		Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
	(HK$'000)			
Derivative financial instruments	9,903	–	9,903	–
Financial assets at fair value through profit or loss – wealth investment products	55,011	–	55,011	–
Total	**64,914**	**–**	**64,914**	**–**

	31 December 2022	Fair value measurement using		
		Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
	(HK$'000)			
Derivative financial instruments	15,361	–	15,361	–
Financial assets at fair value through profit or loss – call options over non-controlling interests	28,519	–	–	28,519
Total	**43,880**	**–**	**15,361**	**28,519**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

FAIR VALUE HIERARCHY (Continued)

Assets measured at fair value: (Continued)

The movements in fair value measurements in Level 3 during the year are as follows:

	2023	2022
	(HK$'000)	
At 1 January	28,519	10,606
Remeasurement recognised in other income/(expenses)	–	18,443
Call option exercised	(29,060)	–
Exchange realignment	541	(530)
At 31 December	**–**	**28,519**

During the year ended 31 December 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

During the year ended 31 December 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

FAIR VALUE HIERARCHY (Continued)

Liabilities measured at fair values:

	31 December 2023	Fair value measurement using		
		Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
	(HK$'000)			
Derivative financial instruments	42,013	–	42,013	–
Interest-bearing bank loans and other borrowings	2,789,052	–	2,789,052	–
Total	**2,831,065**	**–**	**2,831,065**	**–**

	31 December 2022	Fair value measurement using		
		Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
	(HK$'000)			
Derivative financial instruments	44,098	–	44,098	–
Interest-bearing bank loans and other borrowings	3,354,064	–	3,354,064	–
Total	**3,398,162**	**–**	**3,398,162**	**–**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

FINANCIAL ASSETS

As at 31 December 2023

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	(HK$'000)		
Trade receivables	–	1,175,812	1,175,812
Financial assets included in prepayments and other receivables (note 21)	–	399,475	399,475
Financial assets at fair value through profit and loss	55,011	–	55,011
Due from related parties	–	6,397	6,397
Derivative financial instruments	9,903	–	9,903
Other long-term assets (note 18)	–	4,179	4,179
Pledged deposits	–	612,028	612,028
Time deposits	–	549,998	549,998
Cash and cash equivalents	–	981,899	981,899
Total	**64,914**	**3,729,788**	**3,794,702**

As at 31 December 2022

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	(HK$'000)		
Trade receivables	–	997,328	997,328
Financial assets included in prepayments and other receivables (note 21)	–	425,092	425,092
Financial assets at fair value through profit and loss	28,519	–	28,519
Due from related parties	–	2,503	2,503
Derivative financial instruments	15,361	–	15,361
Other long-term assets (note 18)	–	11,197	11,197
Pledged deposits	–	845,448	845,448
Time deposits	–	302,258	302,258
Cash and cash equivalents	–	921,961	921,961
Total	**43,880**	**3,505,787**	**3,549,667**

41. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

FINANCIAL LIABILITIES

As at 31 December 2023

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
		(HK$'000)	
Financial liabilities included in other payables and accruals (note 26)	–	209,840	209,840
Trade and bills payables	–	1,304,386	1,304,386
Interest-bearing bank loans and other borrowings	–	2,793,847	2,793,847
Lease liabilities	–	255,645	255,645
Derivative financial instruments	42,013	–	42,013
Due to related parties	–	502	502
Total	**42,013**	**4,564,220**	**4,606,233**

As at 31 December 2022

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
		(HK$'000)	
Financial liabilities included in other payables and accruals (note 26)	–	204,819	204,819
Trade and bills payables	–	1,169,653	1,169,653
Interest-bearing bank loans and other borrowings	–	3,354,778	3,354,778
Lease liabilities	–	300,172	300,172
Derivative financial instruments	44,098	–	44,098
Due to related parties	–	730	730
Total	**44,098**	**5,030,152**	**5,074,250**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise interest-bearing bank loans and other borrowings, trade and bills payables, other payables and other liabilities. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial investments such as trade and other receivables, cash and cash equivalents and amounts due from related parties, which arise directly from its operations.

The Group also enters into derivative transactions, primarily forward currency contracts. The purpose is to manage the currency risk arising from the Group's operations.

It is, and has been throughout the year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks which are summarised below.

INTEREST RATE RISK

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with floating interest rates. The interest rates and terms of repayment of borrowings are disclosed in note 28.

The Group has not used any interest swaps to hedge its exposure to interest rate risk. The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

	Increase/ decrease in interest rate	(Decrease)/ increase in profit before tax
		(HK$'000)
Year ended 31 December 2023	+5%/–5%	(10,380)/10,380
Year ended 31 December 2022	+5%/–5%	(6,895)/6,895

A reasonably possible change of 5% in the interest rates with all other variables held constant has no impact on the Group's equity other than retained earnings.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposure. Such exposure arises from sales or purchases by operating units in currencies other than the units' functional currencies. The Group requires its operating units to use foreign currency forward contracts to eliminate the foreign currency exposures on any individual transactions, for which payment is anticipated more than three months after the Group has entered into a firm commitment for a sale or purchase. The foreign currency forward contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

The Group manages its foreign currency risk by entering into foreign currency forward contracts to hedge its exposure to fluctuations on the translation into RMB of its foreign operations of sales in the US$ or EUR and the translation into EUR of its foreign operations of sales in various currencies, as described in note 23. It is the Group's policy to ensure that the net exposure is kept to an acceptable level by buying or selling foreign currencies at a fixed rate where necessary to address short term imbalances. Management will continue to monitor foreign exchange exposure and will continue to consider hedging significant foreign currency exposure by using financial instruments such as foreign currency forward contracts.

The operating units' functional currencies of the Group are RMB, EUR and US$, while the currencies which have significant transactional currency exposures are US$ and EUR. The Group's exposure to foreign currency changes for all other currencies is not material. The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$ and EUR exchange rates against RMB, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

FOREIGN CURRENCY RISK (Continued)

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit before tax
	%	(HK$'000)
Year ended 31 December 2023		
If US$ strengthens against RMB	5%	15,544
If US$ weakens against RMB	(5%)	(15,544)
If EUR strengthens against RMB	5%	19,441
If EUR weakens against RMB	(5%)	(19,441)
Year ended 31 December 2022		
If US$ strengthens against RMB	5%	9,027
If US$ weakens against RMB	(5%)	(9,027)
If EUR strengthens against RMB	5%	26,325
If EUR weakens against RMB	(5%)	(26,325)

CREDIT RISK

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

CREDIT RISK (Continued)

Maximum exposure and year-end staging

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	(HK$'000)				
Trade receivables*	–	–	–	1,175,812	1,175,812
Financial assets included in prepayments and other receivables					
– Normal**	399,475	–	–	–	399,475
Pledged deposits					
– Not yet past due	612,028	–	–	–	612,028
Time deposits					
– Not yet past due	549,998	–	–	–	549,998
Cash and cash equivalents					
– Not yet past due	981,899	–	–	–	981,899
Total	**2,543,400**	**–**	**–**	**1,175,812**	**3,719,212**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

CREDIT RISK (Continued)

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	(HK$'000)				
Trade receivables*	–	–	–	997,328	997,328
Financial assets included in prepayments and other receivables					
– Normal**	308,540	–	–	–	308,540
Pledged deposits					
– Not yet past due	845,448	–	–	–	845,448
Time deposits					
– Not yet past due	302,258	–	–	–	302,258
Cash and cash equivalents					
– Not yet past due	921,961	–	–	–	921,961
Total	**2,378,207**	**–**	**–**	**997,328**	**3,375,535**

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the financial statements.

** The credit quality of the financial assets included in prepayments and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

Concentrations of credit risk are managed by customer and geographical region. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different regions.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

LIQUIDITY RISK

The Group monitors its exposure to liquidity risk by monitoring the current ratio, which is calculated by comparing the current assets with the current liabilities.

The Group's objective when managing liquidity risk are to maintain sufficient reserves of cash and flexibility through the use of interest-bearing loans and adequate committed credit facilities. Also, the Group's policy is to regularly monitor current and expected liquidity requirements, in particular those relating to capital expenditure and repayments of debts. At the end of the reporting period, management expected that the Group had no significant liquidity risk in the near future. The Group's policy is that all the borrowings should be approved by the chief financial officer.

The tables below summarise the maturity profile of the Group's financial liabilities at the end of each reporting period based on contractual undiscounted payments:

31 December 2023

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	(HK$'000)					
Interests-bearing bank loans and other borrowings	188,656	183,217	2,424,377	178,438	–	2,974,688
Lease liabilities	–	28,509	85,526	148,002	14,988	277,025
Trade and bills payables	1,021,642	282,744	–	–	–	1,304,386
Derivative financial instruments	–	24,956	16,760	297	–	42,013
Due to related parties	502	–	–	–	–	502
Other payables	209,840	–	–	–	–	209,840
Total	**1,420,640**	**519,426**	**2,526,663**	**326,737**	**14,988**	**4,808,454**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

LIQUIDITY RISK (Continued)

31 December 2022

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	(HK$'000)					
Interests-bearing bank loans and other borrowings	–	256,688	1,026,847	2,230,724	–	3,514,259
Lease liabilities	–	29,161	88,616	204,776	–	322,553
Trade and bills payables	858,407	311,246	–	–	–	1,169,653
Derivative financial instruments	–	24,170	19,928	–	–	44,098
Due to related parties	730	–	–	–	–	730
Other payables	204,819	–	–	–	–	204,819
Total	**1,063,956**	**621,265**	**1,135,391**	**2,435,500**	**–**	**5,256,112**

CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit profile and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes interest-bearing bank loans and other borrowings, trade and bills payables, other payables and accruals, and less monetary assets, including cash and cash equivalents, pledged time deposits and financial assets at fair value through profit and loss. Capital represents equity attributable to owners of the parent and less hedging reserve.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

CAPITAL MANAGEMENT (Continued)

The gearing ratios at the end of the reporting periods were as follows:

	2023	2022
	(HK$'000)	
Trade and bills payables	1,304,386	1,169,653
Other payables and accruals	920,041	784,438
Interest-bearing bank loans and other borrowings	2,793,847	3,354,778
Less: Monetary assets	2,198,936	2,069,667
Net debt	2,819,338	3,239,202
Equity attributable to owners of the parent	5,602,365	5,516,678
Less: Hedging reserve	(16,919)	(11,404)
Adjusted capital	5,619,284	5,528,082
Capital and net debt	**8,438,622**	**8,767,284**
Gearing ratio	**33%**	**37%**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2023	31 December 2022
	(HK$'000)	
NON-CURRENT ASSETS		
Investments in subsidiaries	3,835,730	3,820,263
Total non-current assets	3,835,730	3,820,263
CURRENT ASSETS		
Other receivables	376	345
Due from subsidiaries	751,823	769,457
Cash and cash equivalents	7,921	6,534
Total current assets	760,120	776,336
CURRENT LIABILITIES		
Accrued expenses	119	71
Due to a subsidiary	1,659,676	1,627,849
Total current liabilities	1,659,795	1,627,920
NET CURRENT LIABILITIES	(899,675)	(851,584)
TOTAL ASSETS LESS CURRENT LIABILITIES	2,936,055	2,968,679
Net assets	**2,936,055**	**2,968,679**
EQUITY		
Share capital	16,680	16,680
Reserves (note)	2,919,375	2,951,999
Total equity	**2,936,055**	**2,968,679**

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium	Share option reserve	Accumulated losses	Total
	(HK$'000)			
Balance at 31 December 2021 and 1 January 2022	3,320,411	192,403	(477,168)	3,035,646
Loss for the year	–	–	(98,834)	(98,834)
Equity-settled share option arrangements	–	15,187	–	15,187
Balance at 31 December 2022 and 1 January 2023	3,320,411	207,590	(576,002)	2,951,999
Loss for the year	–	–	(34,451)	(34,451)
Equity-settled share option arrangements	–	1,827	–	1,827
Transfer of share option reserve upon the forfeiture or expiry of share options	–	(5,074)	5,074	–
As at 31 December 2023	**3,320,411**	**204,343**	**(605,379)**	**2,919,375**

44. EVENTS AFTER THE REPORTING PERIOD

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

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2024.

FIVE YEAR FINANCIAL SUMMARY

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 December				
	2023	2022	2021	2020	2019
	(HK$'000)				
Results					
Revenue	7,927,326	8,292,152	9,692,137	8,304,967	8,777,142
Cost of sales	(3,959,612)	(4,936,271)	(5,696,909)	(4,636,930)	(4,996,484)
Gross profit	3,967,714	3,355,881	3,995,228	3,668,037	3,780,658
Other income and gains	129,413	165,429	80,800	90,048	74,116
Selling and distribution expenses	(2,266,661)	(2,072,449)	(2,476,241)	(2,131,438)	(2,274,966)
Administrative expenses	(1,461,562)	(1,345,590)	(1,426,458)	(1,145,615)	(1,170,329)
Other expenses	(539)	(2,437)	(7,266)	(50,972)	(19,544)
Operating Profit	368,365	100,834	166,063	430,060	389,935
Finance Income	48,199	42,971	35,074	5,956	4,543
Finance Costs	(215,552)	(137,906)	(90,594)	(114,068)	(141,856)
Share of profits and losses of a joint venture	(4,192)	(4,621)	1,277	(1,143)	339
Share of profits and losses of an associate	(390)	(85)	(8)	(105)	(131)
Profit before tax	196,430	1,193	111,812	320,700	252,830
Income tax credit/(expense)	12,031	38,935	15,749	(62,780)	(50,262)
Profit for the year	208,461	40,128	127,561	257,920	202,568
Attributable to:					
Owners of the parent	203,496	33,487	123,817	256,574	202,194
Non-controlling interests	4,965	6,641	3,744	1,346	374
	208,461	**40,128**	**127,561**	**257,920**	**202,568**

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2023	2022	2021	2020	2019
	(HK$'000)				
Total assets	11,373,454	11,714,695	13,171,712	11,868,787	10,876,962
Total liabilities	(5,745,721)	(6,157,042)	(7,074,208)	(6,087,218)	(5,790,828)
Non-controlling interests	(25,368)	(40,975)	(36,553)	(32,125)	(48,661)
	5,602,365	**5,516,678**	**6,060,951**	**5,749,444**	**5,037,473**

Goodbaby International

A Leading Juvenile Products Company

Goodbaby International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
www.gbinternational.com.hk
Stock Code: 1086

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