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Goodbaby

International

Goodbaby International Holdings Limited

好孩子國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1086)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

Financial Highlights	For the six months ended 30 June		Year-on-year change
	2023	2022	
	<i>(HK\$ in millions, unless specified)</i>		
Revenue	3,889.2	4,372.8	-11.1%
Gross profit	1,784.8	1,684.9	5.9%
Operating profit ¹	112.7	18.8	499.5%
Non-GAAP ² operating profit	135.3	51.4	163.2%
Profit for the period	29.9	2.4	1,145.8%
Profit/(loss) for the period attributable to owners of the parent	25.0	-1.4	1,885.7%
Earnings/(loss) per share (HK\$)			
– basic	0.01	-0.00	1,832.9%
– diluted	0.01	-0.00	1,832.9%

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

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

The board (the “**Board**”) of directors (the “**Directors**”, each a “**Director**”) of Goodbaby International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to present the unaudited interim results of the Group for the six months ended 30 June 2023 (the “**Period**”), together with the comparative figures for the corresponding period in 2022 as below.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 (Unaudited) (HK\$'000)	2022 (HK\$'000)
Revenue	4	3,889,199	4,372,828
Cost of sales		<u>(2,104,401)</u>	<u>(2,687,891)</u>
Gross profit		1,784,798	1,684,937
Other income and gains	4	60,401	71,940
Selling and distribution expenses		(1,027,978)	(1,045,536)
Administrative expenses		(704,201)	(691,630)
Other expenses		<u>(343)</u>	<u>(911)</u>
Operating profit		112,677	18,800
Finance income	5	21,347	22,876
Finance costs	6	(106,855)	(52,783)
Share of losses of:			
Joint ventures		(2,061)	(2,085)
An associate		<u>(437)</u>	<u>–</u>
PROFIT/(LOSS) BEFORE TAX	7	24,671	(13,192)
Income tax credit	8	<u>5,181</u>	<u>15,613</u>
Profit for the period		<u>29,852</u>	<u>2,421</u>
Attributable to:			
Owners of the parent		25,012	(1,443)
Non-controlling interests		<u>4,840</u>	<u>3,864</u>
		<u>29,852</u>	<u>2,421</u>
Earnings/(loss) per share attributable to ordinary equity holders of the parent:	10		
Basic			
For profit/(loss) for the period (HK\$)		<u>0.01</u>	<u>(0.00)</u>
Diluted			
For profit/(loss) for the period (HK\$)		<u>0.01</u>	<u>(0.00)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	(Unaudited)	
	(HK\$'000)	(HK\$'000)
PROFIT FOR THE PERIOD	<u>29,852</u>	<u>2,421</u>
Other comprehensive loss		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges		
Effective portion of changes in fair value of hedging instruments arising during the period	(96,508)	378
Reclassification adjustments for loss/(gains) included in the consolidated statement of profit or loss	52,810	(6,172)
Income tax effect	<u>7,779</u>	<u>514</u>
	(35,919)	(5,280)
Exchange differences:		
Exchange differences on translation of foreign operations	<u>(173,801)</u>	<u>(308,549)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<u>(209,720)</u>	<u>(313,829)</u>
Other comprehensive loss for the period, net of tax	<u>(209,720)</u>	<u>(313,829)</u>
Total comprehensive loss for the period	<u>(179,868)</u>	<u>(311,408)</u>
Attributable to:		
Owners of the parent	(183,042)	(313,389)
Non-controlling interests	<u>3,174</u>	<u>1,981</u>
	<u>(179,868)</u>	<u>(311,408)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	<i>Notes</i>	30 June 2023 (Unaudited) (HK\$'000)	31 December 2022 (Audited) (HK\$'000)
NON-CURRENT ASSETS			
Property, plant and equipment		952,055	986,099
Right-of-use assets		313,905	330,552
Goodwill		2,583,085	2,631,379
Other intangible assets		2,049,597	2,086,571
Investments in joint ventures		6,925	9,497
Investment in an associate		8,176	4,396
Deferred tax assets		76,942	67,413
Pledged deposits		572,057	829,430
Time deposits		–	302,258
Other long-term assets		10,477	11,197
		<hr/>	<hr/>
Total non-current assets		6,573,219	7,258,792
CURRENT ASSETS			
Inventories	11	1,494,454	1,902,009
Trade receivables	12	1,093,847	997,328
Prepayments and other receivables		487,761	572,204
Due from related parties		5,528	2,503
Financial assets at fair value through profit or loss		29,324	28,519
Cash and cash equivalents		1,026,970	921,961
Pledged deposits		230,896	16,018
Time deposits		317,660	–
Derivative financial instruments	15	11,842	15,361
		<hr/>	<hr/>
Total current assets		4,698,282	4,455,903
CURRENT LIABILITIES			
Trade and bills payables	13	986,836	1,169,653
Other payables and accruals		832,695	784,438
Income tax payable		41,260	32,019
Provision		51,125	72,167
Interest-bearing bank loans and other borrowings	14	1,227,250	1,181,953
Lease liabilities		102,695	102,936
Derivative financial instruments	15	101,184	44,098
Due to related parties		434	730
Defined benefit plan liabilities		361	359
		<hr/>	<hr/>
Total current liabilities		3,343,840	3,388,353
NET CURRENT ASSETS		<hr/> 1,354,442	<hr/> 1,067,550
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 7,927,661	<hr/> 8,326,342

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

As at 30 June 2023

	<i>Notes</i>	30 June 2023 (Unaudited) (HK\$'000)	31 December 2022 (Audited) (HK\$'000)
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	14	2,004,724	2,172,825
Provision		30,999	29,295
Defined benefit plan liabilities		2,767	2,882
Other liabilities		2,936	1,934
Lease liabilities		187,135	197,236
Deferred tax liabilities		318,681	364,517
		<hr/>	<hr/>
Total non-current liabilities		2,547,242	2,768,689
		<hr/>	<hr/>
Net assets		5,380,419	5,557,653
		<hr/>	<hr/>
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital		16,680	16,680
Reserves		5,319,590	5,499,998
		<hr/>	<hr/>
		5,336,270	5,516,678
		<hr/>	<hr/>
Non-controlling interests		44,149	40,975
		<hr/>	<hr/>
Total equity		5,380,419	5,557,653
		<hr/>	<hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

1. CORPORATE INFORMATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2023 were authorized to issue in accordance with a resolution of directors on 30 August 2023.

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

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The financial information is presented in Hong Kong Dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

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

The nature and impact of the revised IFRSs 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 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated 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. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (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. Since the Group's policy aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (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. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. OPERATING SEGMENT INFORMATION

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

- (a) 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) 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) Non-durable products segment, which includes maternity and baby-care products and apparel and home textile products; and
- (d) 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 resources allocation and performance assessment. Segment performance is evaluated based on reportable segment revenue.

Six months ended 30 June 2023

	Strollers and accessories (HK\$'000) (Unaudited)	Car seats and accessories (HK\$'000) (Unaudited)	Non-durable products (HK\$'000) (Unaudited)	Others (HK\$'000) (Unaudited)	Consolidated (HK\$'000) (Unaudited)
Segment revenue (note 4)					
Sales to external customers	1,545,963	1,606,374	337,617	399,245	3,889,199
Segment results	725,809	784,513	152,652	121,824	1,784,798
Other income and gains					60,401
Corporate and other unallocated expenses					(1,738,310)
Other expenses					(343)
Finance income					21,347
Finance costs (other than interest on lease liabilities)					(100,724)
Share of losses of:					
Joint ventures					(2,061)
An associate					(437)
Profit before tax					24,671
Other segment information:					
Impairment losses recognised in the statement of profit or loss, net	12,183	11,606	8,583	2,627	34,999
Depreciation and amortisation	102,963	88,563	23,730	20,166	235,422

Six months ended 30 June 2022

	Strollers and accessories (HK\$'000) (Unaudited)	Car seats and accessories (HK\$'000) (Unaudited)	Non-durable products (HK\$'000) (Unaudited)	Others (HK\$'000) (Unaudited)	Consolidated (HK\$'000) (Unaudited)
Segment revenue (note 4)					
Sales to external customers	1,751,108	1,647,874	418,907	554,939	4,372,828
Segment results	687,102	676,493	192,789	128,553	1,684,937
Other income and gains					71,940
Corporate and other unallocated expenses					(1,743,015)
Other expenses					(911)
Finance income					22,876
Finance costs (other than interest on lease liabilities)					(46,934)
Share of losses of:					
Joint ventures					(2,085)
An associate					–
Loss before tax					(13,192)
Other segment information:					
Impairment losses recognised in the statement of profit or loss	5,387	778	492	560	7,217
Depreciation and amortisation	108,837	89,253	24,314	24,080	246,484

Geographical information

(a) Revenue from external customers

	European market (HK\$'000) (Unaudited)	North America market (HK\$'000) (Unaudited)	Mainland China market (HK\$'000) (Unaudited)	Other overseas markets (HK\$'000) (Unaudited)	Total (HK\$'000) (Unaudited)
Six months ended 30 June 2023					
Segment revenue:					
Sales to external customers	1,511,772	1,349,832	700,200	327,395	3,889,199
Six months ended 30 June 2022					
Segment revenue:					
Sales to external customers	1,449,691	1,741,459	855,000	326,678	4,372,828

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

(b) Non-current assets

	30 June 2023 <i>(HK\$'000)</i> (Unaudited)	31 December 2022 <i>(HK\$'000)</i> (Audited)
Mainland China	4,454,682	5,156,734
North America	1,075,538	1,016,219
Europe	940,479	993,336
	6,470,699	7,166,289

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

Information about major customers

During the six months ended 30 June 2023, revenue from sales to the two major third-party customers were HK\$505,584,000 and HK\$482,495,000, respectively (six months ended 30 June 2022: one major customer amounting to HK\$553,220,000). The revenue from sales to the customers were derived from sales by the strollers and accessories, car seats and accessories and others segments, including sales to a group of entities which are known to be under common control with the customers.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 30 June 2023 <i>(HK\$'000)</i> (Unaudited)	2022 <i>(HK\$'000)</i> (Unaudited)
<i>Revenue from contracts with customers</i>		
Sale of goods	3,874,415	4,357,872
Rendering of testing services	14,784	14,956
	3,889,199	4,372,828

Revenue from contracts with customers

(i) Disaggregated revenue information

For the Six months ended 30 June 2023

Segments	Strollers and accessories HK\$'000 (Unaudited)	Car seats and accessories HK\$'000 (Unaudited)	Non-durable products HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Type of goods or services					
Sale of goods	1,545,963	1,606,374	337,617	384,461	3,874,415
Rendering of testing services	-	-	-	14,784	14,784
Total revenue from contracts with customers	<u>1,545,963</u>	<u>1,606,374</u>	<u>337,617</u>	<u>399,245</u>	<u>3,889,199</u>
Timing of revenue recognition					
Goods transferred at a point in time	1,545,963	1,606,374	337,617	384,461	3,874,415
Services transferred at a point in time	-	-	-	14,784	14,784
Total revenue from contracts with customers	<u>1,545,963</u>	<u>1,606,374</u>	<u>337,617</u>	<u>399,245</u>	<u>3,889,199</u>
Revenue from contracts with customers					
External customers	<u>1,545,963</u>	<u>1,606,374</u>	<u>337,617</u>	<u>399,245</u>	<u>3,889,199</u>

For the Six months ended 30 June 2022

Segments	Strollers and accessories HK\$'000 (Unaudited)	Car seats and accessories HK\$'000 (Unaudited)	Non-durable products HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Type of goods or services					
Sale of goods	1,751,108	1,647,874	418,907	539,983	4,357,872
Rendering of testing services	-	-	-	14,956	14,956
Total revenue from contracts with customers	<u>1,751,108</u>	<u>1,647,874</u>	<u>418,907</u>	<u>554,939</u>	<u>4,372,828</u>
Timing of revenue recognition					
Goods transferred at a point in time	1,751,108	1,647,874	418,907	539,983	4,357,872
Services transferred at a point in time	-	-	-	14,956	14,956
Total revenue from contracts with customers	<u>1,751,108</u>	<u>1,647,874</u>	<u>418,907</u>	<u>554,939</u>	<u>4,372,828</u>
Revenue from contracts with customers					
External customers	<u>1,751,108</u>	<u>1,647,874</u>	<u>418,907</u>	<u>554,939</u>	<u>4,372,828</u>

Other income and gains

	Six months ended 30 June	
	2023 (HK\$'000) (Unaudited)	2022 (HK\$'000) (Unaudited)
Other income and gains:		
Net foreign exchange gain	44,341	2,572
Government grants (note (a))	2,963	30,898
Compensation income (note (b))	2,410	5,974
Gain on sales of scrap materials (note (c))	1,609	5,435
Gain on wealth investment products	381	169
Gain on disposal of fixed assets (note (d))	–	23,543
Fair value gains, net		
– Derivative instruments – transactions not qualifying as hedges	–	1,747
Others	8,697	1,602
Total	<u>60,401</u>	<u>71,940</u>

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

Note (b): The amount represents the compensation received from customers as a result of cancellation of orders and suppliers as a result of defective products or shipment delay in the normal course of business and other infringement compensation.

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

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

5. FINANCE INCOME

	Six months ended 30 June	
	2023 (HK\$'000) (Unaudited)	2022 (HK\$'000) (Unaudited)
Interest income on bank deposits	<u>21,347</u>	<u>22,876</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2023 (HK\$'000) (Unaudited)	2022 (HK\$'000) (Unaudited)
Interest on bank loans, overdrafts and other loans	100,724	46,934
Interest on lease liabilities	<u>6,131</u>	<u>5,849</u>
	<u>106,855</u>	<u>52,783</u>

7. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	(HK\$'000)	(HK\$'000)
	(Unaudited)	(Unaudited)
Cost of inventories sold	2,095,935	2,679,749
Cost of services provided	8,466	8,142
Depreciation of property, plant and equipment	139,949	148,748
Depreciation of right-of-use assets	60,014	63,053
Amortisation of intangible assets	35,459	34,683
Research and development ("R&D") costs	195,501	225,333
Short-term rental expenses*	15,236	21,463
Auditors' remuneration	5,060	5,435
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	831,479	898,365
Share option expense	2,634	11,607
Pension scheme costs (defined benefit plans) (including administrative expense)	167	171
Pension scheme contributions	31,736	37,059
	<hr/>	<hr/>
	866,016	947,202
Net foreign exchange gain	(44,341)	(2,572)
Fair value gains, net:		
Derivative instruments – transactions not qualifying as hedges	–	(1,747)
Gain on wealth investment products	(381)	(169)
Provision for impairment of receivables	26,687	2,871
Provision of inventories	8,312	4,346
Product warranties and liabilities	10,118	17,617
Loss/(gain) on disposal of items of property, plant and equipment	7	(23,543)
Bank interest income	(21,347)	(22,876)
	<hr/>	<hr/>

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

8. INCOME TAX

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

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

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

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

The Group's subsidiaries registered in Germany are subject to corporation tax based on the taxable income at the rate of 15.825% and trade income tax on the taxable income at rates ranging from 12.95% to 17%.

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 Mainland China, are subject to PRC enterprise income tax ("EIT") on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws, at the rate of 25%.

Pursuant to relevant tax rules under the EIT Law and with the approval from the relevant tax authorities in the PRC, two of the Group's subsidiaries, Goodbaby Child Products Co., Ltd. ("GCPC") and EQO Testing and Certification Services Co., Ltd. ("EQTC"), are qualified as "High and New Technology Enterprises" and are entitled to a preferential tax rate of 15% from 2020 to 2022.

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

	Six months ended 30 June	
	2023	2022
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(Unaudited)	(Unaudited)
Current income tax		
– Charge for the Period	<u>35,222</u>	<u>24,619</u>
Deferred income tax	<u>(40,403)</u>	<u>(40,232)</u>
Income tax credit reported in the statement of profit or loss	<u>(5,181)</u>	<u>(15,613)</u>

9. DIVIDENDS

The board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2023 (Six months ended 30 June 2022: Nil).

12. TRADE RECEIVABLES

	As at 30 June 2023 <i>(HK\$'000)</i> (Unaudited)	As at 31 December 2022 <i>(HK\$'000)</i> (Audited)
Trade receivables	1,162,677	1,040,037
Impairment of trade receivables	(68,830)	(42,709)
	<u>1,093,847</u>	<u>997,328</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is up to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

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

	As at 30 June 2023 <i>(HK\$'000)</i> (Unaudited)	As at 31 December 2022 <i>(HK\$'000)</i> (Audited)
Within 3 months	1,012,881	906,679
3 to 6 months	52,602	33,004
6 months to 1 year	25,687	28,719
Over 1 year	2,677	28,926
	<u>1,093,847</u>	<u>997,328</u>

13. TRADE AND BILLS PAYABLES

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

	As at 30 June 2023 (HK\$'000) (Unaudited)	As at 31 December 2022 (HK\$'000) (Audited)
Within 3 months	858,039	858,407
3 to 12 months	120,300	300,273
1 to 2 years	5,141	7,687
2 to 3 years	1,262	1,173
Over 3 years	2,094	2,113
	<u>986,836</u>	<u>1,169,653</u>

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

14. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

		As at 30 June 2023 HK\$'000 Maturity (Unaudited)	As at 31 December 2022 HK\$'000 Maturity (Audited)
Current			
Bank overdrafts – secured	<i>Note (a)</i>	2023 145,938	2023 217,974
Bank overdrafts – unsecured	<i>Note (a)</i>	2023 78	2023 1,503
Current portion of long-term bank loans – secured	<i>Note (b)</i>	2023-2024 623,205	2023 364,481
Bank borrowings – secured	<i>Note (b)</i>	2023-2024 164,850	2023 290,139
Bank borrowings – unsecured		2023-2024 293,179	2023 307,856
		<u>1,227,250</u>	<u>1,181,953</u>
Non-current			
Bank borrowings – secured	<i>Note (b)</i>	2024 1,429,872	2024-2025 1,691,450
Bank borrowings – unsecured		2024-2025 574,852	2024-2025 481,375
		<u>2,004,724</u>	<u>2,172,825</u>
Total		<u>3,231,974</u>	<u>3,354,778</u>

Note (a): The bank overdraft facilities amounted to HK\$320,395,000, of which HK\$146,016,000 had been utilised as at the end of the reporting period. The bank overdraft facilities are revolving facilities with no termination date.

Note (b): As at 30 June 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.

Note (c): The effective interest rates of the bank loans and other borrowing range from 1.09% to 7.22% (2022: 0.63% to 6.18%).

15. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2023	
	Assets	Liabilities
	(HK\$'000)	(HK\$'000)
	(Unaudited)	(Unaudited)
Forward currency contracts		
– designated as hedging instruments	11,842	101,184
	<hr/>	<hr/>
	As at 31 December 2022	
	Assets	Liabilities
	(HK\$'000)	(HK\$'000)
	(Audited)	(Audited)
Forward currency contracts		
– designated as hedging instruments	15,361	44,098
	<hr/>	<hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Revenue underwent persistent suppression while Profitability rebound momentum increased

The Period witnessed easing of pandemic restrictions across the globe and resulting stabilization of global logistics and decrease in input costs, mainly sea freight and raw material costs. These positive elements increased the global macro environment stability, which was favorable to the Group's business development. That said, some challenges persisted, including continued destocking by customers and retailers in North America and Europe, damaged consumer confidence due to geopolitical conflicts in Europe, sales of inventories which were built under inflated input costs during the pandemic dragging down the Group's profitability (especially in the first quarter of 2023), continued birth rate decline in China and weaker-than-expected global economic recovery.

Due to region-specific challenges, the Group recorded mixed performances in different markets. In our European market, positive growth performance was recorded, mainly driven by our brand CYBEX's strong performance, partially offset by the Blue Chip business decline due to destocking activities by customers. In North American market, our brand and the Blue Chip business continued to suffer from destocking activities by customers and retailers since the fourth quarter of 2022, especially in the first quarter of 2023. In our China market, due to ongoing business right-sizing and brand transformation to better adapt to the changing consumer behaviors in the post-pandemic era and birth rate decline in China, the Group recorded anticipated revenue decline.

Overall, despite the persisting challenges, momentum of the revenue of the Group's strategic brands and profitability both picked up during the Period. Overall revenue of the Group's strategic brands had returned to positive growth; with the positive momentum of improvement in profitability continuing into the Period since the second half of 2022, the Group's operating profitability had significantly improved. The Group also generated strong operating cash inflow during the Period.

In addition, the Group managed to maintain its global competitiveness during the Period thanks to:

1. Strength of the Group's one-dragon vertically integrated platform of own diversified brands, globally balanced omni-channel distribution platforms, own manufacturing and operational services enabled the Group to outperform competition and minimize risk in any one territory;
2. Continued strategic investments in innovation.

The Group did not suspend strategic and dedicated investments in brand development, product innovation and the expansion of its own international distribution platforms even during the most difficult times. These investments started to pay off amidst macro environment stabilization. As a result, the Group continued to gain market share in key international markets during the Period.

Our revenue for the Period decreased by 11.1% to approximately HK\$3,889.2 million from approximately HK\$4,372.8 million for the corresponding period in 2022. Foreign exchange rate fluctuated between the Period and the corresponding period in 2022, particularly exchange rate between RMB and HKD, and between EUR and HKD. Such fluctuations led to the difference between the Group's overall revenue growth in the original currencies and the growth in the Group's reporting currency in HKD after currency translation. On a constant currency basis, our revenue for the Period recorded a 7.7% decrease as compared to the corresponding period in 2022. Reported gross profit increased by 5.9% to approximately HK\$1,784.8 million for the Period from approximately HK\$1,684.9 million for the corresponding period in 2022. Reported operating profit increased by 499.5% to approximately HK\$112.7 million from approximately HK\$18.8 million for the corresponding period in 2022 and on a non-GAAP basis, our operating profit increased by 163.2% to approximately HK\$135.3 million for the Period from approximately HK\$51.4 million for the corresponding period in 2022.

Summary of the Group's revenue:

For the six months ended 30 June						
(HK\$ million)	2023		2022		Change (%)	Change on a constant currency basis (%)
Group Total Revenue	\$3,889.2		\$4,372.8		-11.1%	-7.7%
	Amount	% of Revenue	Amount	% of Revenue	Change (%)	Change on a constant currency basis (%)
Strategic Brands	\$3,554.7	91.4%	\$3,653.2	83.5%	-2.7%	0.9%
CYBEX	1,814.8	46.7%	1,631.8	37.3%	11.2%	14.4%
gb	638.6	16.4%	791.7	18.1%	-19.3%	-12.8%
Evenflo	1,101.3	28.3%	1,229.7	28.1%	-10.4%	-8.4%
Blue Chip and other business	\$334.5	8.6%	\$719.6	16.5%	-53.5%	-51.0%

EXECUTIVE SUMMARY

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

- Amidst still challenging market, volatile consumer confidence resulting from geopolitical conflicts and inflation, **CYBEX** brand recorded strong growth of 11.2% (a 14.4% increase on a constant currency basis) in the Period to reach a new record first half revenue of approximately HK\$1,814.8 million from approximately HK\$1,631.8 million for the corresponding period in 2022. Consumer demand for CYBEX products remained very strong, resulting in record high first half revenue and operating profit. The growth momentum was primarily driven by very strong brand position, innovative product portfolio and continued introduction of new products. The continued expansion and fortification of the global omni-channel distribution network, in particular, the further roll-out of its own e-commerce platform in Europe and the United States, contributed to the very positive growth performance. CYBEX has repeatedly

outperformed its key competitors and gained market share in key markets. 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** brand recorded a decrease in revenue of 19.3% (a 12.8% decrease on a constant currency basis) in the Period to approximately HK\$638.6 million from approximately HK\$791.7 million for the corresponding period in 2022. The revenue decline was primarily attributed to the brand’s ongoing business right-sizing and brand transformation to adapt to the post-pandemic era and birth rate decline in China. gb continued to enrich its consumer-centric retail strategy through enhanced product portfolio. During the Period, the brand received an award from the prominent iF design organization in recognition of its upgraded innovative products.
- **Evenflo** brand recorded a decrease in revenue of 10.4% (an 8.4% decrease on a constant currency basis) in the Period to approximately HK\$1,101.3 million from approximately HK\$1,229.7 million for the corresponding period in 2022. The revenue decline was primarily a result of continued inventory destocking by major retailers in its key market of the United States since the fourth quarter of 2022, especially in the first quarter of 2023. Evenflo continued to outperform competition and gain market share in its key market of the United States due to growth in digital channels, and strong consumer acceptance of its innovative products, elevated product portfolio and brand image. The brand recorded very positive momentum in its gross margin evolution driven by successfully improved product mix and input costs decrease.

During the Period, our Blue Chip and other business recorded revenue decrease of 53.5% (a 51.0% decrease on a constant currency basis) to approximately HK\$334.5 million in the Period as compared to approximately HK\$719.6 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 and the Group’s continued portfolio rationalization in other business. The Group’s relationship with its Blue Chip customers remained stable.

OUTLOOK

With the easing of pandemic restrictions and stabilization of global logistics, we are proud to see that our sustained strategic investments to maintain the Group's global competitiveness started to pay off during the Period and will continue to inject momentum into our business. That said, we remain cautiously optimistic as we expect consumer insecurities caused by geopolitical conflicts in Europe, inflation-inflicted recessions and weaker-than-expected economic recovery across the globe will continue to have negative impacts on our business. 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.

CYBEX will continue its global growth strategy across all key geographic regions and gain market share driven by its strong brand position, innovative product portfolio, new product launches, category extensions, strengthened supply chain capabilities, e-commerce platforms and expansion of national distribution platforms in new geographic territories. Conscious cost control measures combined with the stabilization of key supply chain costs will continue to improve profitability. These initiatives will be carefully monitored and adjusted to new conditions of the geopolitical and inflationary environment in Europe.

gb brand will further right-size and transform its business to provide a strong focus on profitability and maintain positive cash flow. It will continue its brand upgrade, further development of social media based owned channels and complete the reformation of its wholesale distribution channel, and its focus on product innovation, technologies and new product launches, which will establish the foundation for profitability improvement. We will continue to execute the brand transformation to strengthen consumer engagement in all owned channels.

Evenflo will continue to gain market share based on its strong development of digital channels and consumer reception to innovative product launches. It will continue to launch new and more profitable products and fulfill new awards of business from major retailers as the brand is being recognized for its commitment to overall brand enhancement and product innovation. The improved product mix and stabilization of supply chain costs will continue to contribute to the brand's gross margin development.

On a global basis, we will continue to invest in B2C platforms through our own national distribution platforms in existing and new markets to ensure we maintain a direct relationship with our fans and consumers and provide them with a world class online experience. We will continue to optimize our 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 and cost optimization will always remain the core foundation to anchor our vision of leading the global juvenile eco-system and achieving sustained profitable growth.

FINANCIAL REVIEW

Revenue

For the Period, the total revenue of the Group decreased by 11.1% to approximately HK\$3,889.2 million from approximately HK\$4,372.8 million for the corresponding period in 2022. Foreign exchange rate fluctuated between the Period and the corresponding period in 2022, particularly exchange rate between RMB and HKD, and between EUR and HKD. Such fluctuations led to the difference between the Group's overall revenue growth in the original currencies and the growth in the Group's reporting currency in HKD after currency translation. On a constant currency basis, our revenue for the Period recorded a 7.7% decrease compared to the corresponding period in 2022.

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

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales decreased by 21.7% to approximately HK\$2,104.4 million for the Period from approximately HK\$2,687.9 million for the corresponding period in 2022. Gross profit for the Group increased to approximately HK\$1,784.8 million for the Period from approximately HK\$1,684.9 million for the corresponding period in 2022, and the gross profit margin increased by 7.4 percentage points to 45.9% for the Period from approximately 38.5% for the corresponding period in 2022. The increase in gross profit was primarily due to a combined result of strong improvement in gross margin and decreased revenue mainly resulting from ongoing impacts of customers and retailers' destocking since the fourth quarter of 2022. Gross margin improved strongly due primarily to improvement in input costs, favorable brand revenue mix, favorable foreign exchange movements and production efficiency improvement.

Other Income and Gains

Other income and gains of the Group decreased by approximately HK\$11.5 million to approximately HK\$60.4 million for the Period as compared to approximately HK\$71.9 million for the corresponding period in 2022, which was mainly attributable to the decrease of government grants and one-off income (the Group recorded a one-off income in the same period of last year from the sale of a property), partially offset by the increase in net foreign exchange gains.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consist of marketing expenses, personnel costs, rental and commission and warehousing and transportation costs. The selling and distribution expenses decreased by approximately HK\$17.5 million to approximately HK\$1,028.0 million for the Period from approximately HK\$1,045.5 million for the corresponding period in 2022. The slight decrease was attributable to cost saving as a result of decreased revenue; the selling and distribution expenses as a percentage of the Group's revenue increased was due to brand revenue mix as the selling and distribution expenses structure is different by brand.

Administrative Expenses

The Group's administrative expenses primarily consist of personnel costs, R&D costs, professional service expenses, depreciation and amortization cost and other office expenses. The administrative expenses increased by approximately HK\$12.6 million to approximately HK\$704.2 million for the Period from approximately HK\$691.6 million for the corresponding period in 2022. The increase was a combined result of a) the decrease in the R&D cost to approximately HK\$195.5 million for the Period from approximately HK\$225.3 million for the corresponding period in 2022; b) the increase in provision for impairment of receivables to approximately HK\$26.7 million for the Period from approximately HK\$2.9 million for the corresponding period in 2022; and c) the slight increase in all other expenditures.

Other Expenses

Other expenses of the Group decreased to approximately HK\$0.3 million for the Period from approximately HK\$0.9 million for the corresponding period in 2022. Other expenses of the Group decreased by approximately HK\$0.6 million, which was mainly attributable to the decrease in others.

Operating Profit

As a result of the foregoing, the Group's operating profit increased by approximately HK\$93.9 million, to approximately HK\$112.7 million for the Period from approximately HK\$18.8 million for the corresponding period in 2022.

Finance Income

For the Period, the Group's finance income decreased to approximately HK\$21.3 million from approximately HK\$22.9 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 HK\$54.1 million to approximately HK\$106.9 million from approximately HK\$52.8 million for the corresponding period in 2022. The increase was mainly attributable to interest rate hikes by the U.S. Federal Reserve.

Profit/Loss Before Tax

As a result of the foregoing, the profit before tax of the Group increased by approximately HK\$37.9 million to approximately HK\$24.7 million for the Period from a loss before tax of approximately HK\$13.2 million for the corresponding period in 2022.

Income Tax

The Group's income tax was a credit of approximately HK\$5.2 million for the Period, and the income tax was a credit of approximately HK\$15.6 million for the corresponding period in 2022. The decrease in the amount of income tax credit was aligned with the increase of the profit before tax of the Group.

Profit for the Period

Profit of the Group for the Period increased by approximately HK\$27.5 million to approximately HK\$29.9 million from approximately HK\$2.4 million for the corresponding period in 2022.

The non-GAAP profit of the Group increased by approximately 59.9% to approximately HK\$47.5 million for the Period from approximately HK\$29.7 million for the corresponding period in 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 period and non-GAAP net margin, are presented. The Company's management believes that the non-GAAP financial measures provide investors with a more meaningful view on the Group's financial results, and with useful supplementary information to assess the performance of the Group's strategic operations by excluding certain non-cash items, certain impact of merger and acquisition transactions and certain one-off bad debt provision and operating loss. Nevertheless, the use of these non-GAAP financial measures has limitations as an analytical tool. These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, analysis of the Company's financial performance prepared in accordance with IFRS. In addition, these non-GAAP financial measures may be defined differently from similar terms used by other companies.

The following tables set forth the reconciliations of the Company's non-GAAP financial measures for the six months ended 30 June 2023 and 2022 to the nearest measures prepared in accordance with IFRS:

Six months ended 30 June 2023				
Adjustments				
	As reported (HK\$ million)	Equity-settled share option expenses (HK\$ million)	Amortization of intangible assets (a) (HK\$ million)	Non-GAAP (HK\$ million)
Operating profit	112.7	2.6	20.0	135.3
Profit before tax	24.7	2.6	20.0	47.3
Profit for the period	29.9	2.6	15.0	47.5
Operating margin	2.9%			3.5%
Net margin	0.8%			1.2%
Six months ended 30 June 2022				
Adjustments				
	As reported (HK\$ million)	Equity-settled share option expenses (HK\$ million)	Amortization of intangible assets (a) (HK\$ million)	Non-GAAP (HK\$ million)
Operating profit	18.8	11.6	21.0	51.4
Profit/(loss) before tax	-13.2	11.6	21.0	19.4
Profit for the period	2.4	11.6	15.7	29.7
Operating margin	0.4%			1.2%
Net margin	0.1%			0.7%

Note:

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

Working Capital and Financial Resources

	As at 30 June 2023 (HK\$ million)	As at 31 December 2022 (HK\$ million)
Trade and notes receivables (including trade receivables due from related parties)	1,099.4	999.8
Trade and notes payables (including trade payables due to related parties)	987.3	1,170.4
Inventories	1,494.5	1,902.0
	For the six months ended 30 June 2023	For the twelve months ended 31 December 2022
Trade and notes receivables turnover days ⁽¹⁾	49	49
Trade and notes payables turnover days ⁽²⁾	92	102
Inventories turnover days ⁽³⁾	145	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 due to higher monthly revenue near the end of the Period than average monthly revenue during the Period. Trade and notes receivables turnover days remained stable.

The decrease of trade and notes payables was mainly attributable to lower procurements near the end of the Period than procurements near the end of previous year. The decrease of trade and note payables turnover days was due to lower average procurement of the Group in the Period compared with the average procurement of last year as a result of the Group's destocking activities.

The decrease of inventories was mainly attributable to working capital improvement as well as the lower level of inventory in transit for the Period as compared to year end 2022. The decrease of inventory turnover days was mainly because the inventory at the end of last year and at the end of the Period was substantially lower than the inventory at the beginning of last year.

Liquidity and Financial Resources

As at 30 June 2023, the Group's monetary assets, including cash and cash equivalents, time deposits and pledged deposits, were approximately HK\$2,147.6 million (31 December 2022: approximately HK\$2,069.7 million).

As at 30 June 2023, the Group's interest-bearing bank loans and other borrowings were approximately HK\$3,232.0 million (31 December 2022: approximately HK\$3,354.8 million), including short-term bank loans and other borrowings of approximately HK\$1,227.3 million (31 December 2022: approximately HK\$1,182.0 million) and long-term bank loans and other borrowings with repayment terms ranging from two to three years of approximately HK\$2,004.7 million (31 December 2022: approximately HK\$2,172.8 million).

As a result, as at 30 June 2023, the Group's net debt position was approximately HK\$1,084.4 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.

As at 30 June 2023, the Group had no material contingent liabilities (as at 31 December 2022: nil).

Exchange Rate Fluctuations

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

Pledge of Assets

As at 30 June 2023, bank deposits of approximately HK\$765.4 million (31 December 2022: HK\$788.7 million) were pledged for certain standby letter of credit from banks and for guarantee. Bank deposits of approximately HK\$9.8 million (31 December 2022: HK\$9.8 million) were pledged for interest reserve. No machinery (31 December 2022: HK\$2.3 million) was pledged to secure bank loan granted to the Group.

Gearing Ratio

As at 30 June 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 and pledge deposits; the amount of adjusted capital is calculated by equity attributable to owner of the parent minus hedging reserve) was approximately 35.0% (31 December 2022: approximately 36.9%) or 37.2% after taking into consideration the impact of IFRS 16) (as at 31 December 2022: approximately 39.0%).

Employees and Remuneration Policy

As at 30 June 2023, the Group had a total of 6,687 full-time employees (31 December 2022: 7,357). For the Period, costs of employees, excluding Directors' emoluments, amounted to a total of approximately HK\$870.4 million (for the corresponding period of 2022: approximately HK\$925.0 million). The Group determined the remuneration packages of all employees with reference to their position, competency, performance, value and market salary trend. The Group provides its employees in the PRC and other countries and regions with welfare schemes as required by applicable local laws and regulations.

On 5 November 2010, the Company adopted a share option scheme ("**2010 Share Option Scheme**") to incentivize or reward eligible participants for their contribution to the Group for the purpose of motivating the eligible participants to optimize their performance efficiency for the benefit of the Group, and attracting and retaining or otherwise maintaining on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.

As the 2010 Share Option Scheme expired on the tenth anniversary of its adoption, and to enable the Company to continue to grant share options to eligible participants as incentives or rewards for their contributions to the success of the Group, the Company terminated the 2010 Share Option Scheme and approved and adopted a new share option scheme (the "**2020 Share Option Scheme**") at its annual general meeting held on 25 May 2020. A summary of the principal terms of the 2020 Share Option Scheme is set out in Appendix III of the Company's circular dated 22 April 2020.

As at 30 June 2023, there were 131,364,500 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).

Significant Acquisition, Disposal or Investment

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

OTHER INFORMATION

Events After the Reporting Period

No material events affecting the Company or its subsidiaries has occurred subsequent to 30 June 2023.

Purchase, Sale or Redemption of Shares

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Dividend

The Board does not recommend payment of any dividend for the Period (six months ended 30 June 2022: Nil).

Corporate Governance

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

The Company has applied the principles set out in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and has also put in place certain recommended best practices as set out in the CG Code. The Board is of the opinion that the Company has complied with all the code provisions as set out in Part 2 of the CG Code throughout the Period.

Model Code for Securities Transactions by Directors

Since the listing of the Company on the Main Board of the Stock Exchange on 24 November 2010, the Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code for the dealings in securities transactions by the Directors. Having made specific enquires, all Directors have confirmed that they complied with the required standard of dealings set out in the Model Code for the Period.

Audit Committee

As at the date of this announcement, the audit committee of the Company (the “**Audit Committee**”) consists of Ms. Chiang Yun, Mr. Shi Xiaoguang and Mr. So Tak Young. The chairlady of the Audit Committee is Ms. Chiang Yun. The unaudited interim condensed consolidated financial information of the Group for the Period have been reviewed by the Audit Committee.

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

Publication of Interim Report

This interim results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.gbinternational.com.hk>). The interim report of the Company for the Period containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available for review on the same websites in due course.

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

Hong Kong, 30 August 2023

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