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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)

CONNECTED TRANSACTIONS AT SUBSIDIARY LEVEL

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During the Relevant Period, being the two financial years ended 31 December 2023, CTP Japan, a then non-wholly owned subsidiary of the Company, and Dadway, a then substantial shareholder of CTP Japan, entered into the Transactions including the sale and purchase of CYBEX products, provision of warehousing and logistics services, and payment of product liability insurance premium. As CTP Japan did not fall within the ambit of insignificant subsidiary under Rule 14A.09 of the Listing Rules during the Relevant Period, the Transactions constituted connected transactions at subsidiary level of the Company under Chapter 14A of the Listing Rules.

IMPLICATIONS UNDER THE LISTING RULES

CTP Japan was classified as an insignificant subsidiary of the Company since its establishment, therefore Dadway, being a substantial shareholder of CTP Japan, did not constitute a connected person of the Company and the Transactions did not fall within the ambit of connected transactions under the Listing Rules before the Relevant Period. However, CTP Japan ceased to be an insignificant subsidiary during the Relevant Period as a result of a substantial drop in profits of the Company resulting in an exponential increase in the profits ratio during the relevant financial years. Therefore, the Transactions became connected transactions of the Company as the profits ratio exceeded the required percentage threshold for the purpose of Rule 14A.09 of the Listing Rules.

As one or more of the applicable percentage ratios in respect of each of the Transactions with the Second Transactions and the Third Transactions being calculated on an aggregate basis were more than 1% but less than 5%, the Transactions were subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules during the Relevant Period.

The Company was not aware of the change of the insignificant subsidiary status of CTP Japan during the Relevant Period due to an inadvertent oversight, therefore it failed to disclose the Transactions under Chapter 14A of the Listing Rules in a timely manner. After being aware that the insignificant subsidiary exemption under Rule 14A.09 of the Listing Rules was no longer applicable to CTP Japan following its internal audit, the Board (including the independent non-executive Directors) has reviewed and ratified the Transactions, and implemented relevant remedial measures to avoid reoccurrence of similar non-compliance with the Listing Rules in the future. Based on the information available to the Board, it is of the view that there is no evidence to suggest that the terms of the Transactions were not on normal commercial terms or not being fair and reasonable, or CTP Japan had provided any preferential treatment to Dadway during the Relevant Period to facilitate the Transactions and deviated from its usual course of business as the terms of the Transactions were largely consistent with those transactions entered into between the parties immediately before the Relevant Period when CTP Japan was regarded as an insignificant subsidiary of the Company pursuant to Rule 14A.09 of the Listing Rules.

As CTP Japan has become a wholly-owned subsidiary of the Company since 15 November 2023 as disclosed in the announcement of the Company dated the same date, the Transactions will no longer constitute connected transactions of the Company under the Listing Rules.

CONNECTED TRANSACTIONS AT SUBSIDIARY LEVEL

During the Relevant Period, being the two financial years ended 31 December 2023, CTP Japan, a then non-wholly owned subsidiary of the Company, and Dadway, a then substantial shareholder of CTP Japan, entered into the Transactions, including the sale and purchase of CYBEX products, provision of warehousing and logistics services, and payment of product liability insurance premium. As CTP Japan did not fall within the ambit of insignificant subsidiary under Rule 14A.09 of the Listing Rules during the Relevant Period, the Transactions constituted connected transactions at subsidiary level of the Company under Chapter 14A of the Listing Rules.

The details of the Transactions conducted between CTP Japan and Dadway during the Relevant Period are as follows.

The First Transaction

Dadway was one of the distributors of the Group with respect to CYBEX products in Japan during the Relevant Period. For the financial year ended 31 December 2023, Dadway purchased CYBEX products from CTP Japan in an amount of JPY392,952,450 (approximately HKD23,616,000).

The purchase price under the First Transaction was determined by the relevant parties through arm's length negotiation and on normal commercial terms, with reference to (i) the historical purchase price paid by Dadway for CYBEX products; and (ii) the prevailing market price of CYBEX products sold by CTP Japan to other independent distributors in Japan with reference to the wholesale price of such products in Japan.

The Second Transactions

Dadway provided warehousing and logistics services to CTP Japan during the Relevant Period. For the two financial years ended 31 December 2023, the warehousing and logistics services provided by Dadway to CTP Japan amounted to JPY294,721,273 (approximately HKD20,866,000) and JPY434,051,909 (approximately HKD26,087,000), respectively.

The service fees for the Second Transactions were determined by the relevant parties through arm's length negotiation and on normal commercial terms, with reference to the quantity of products involved and the nature and scope of services provided to CTP Japan by Dadway taking into account the historical services fees paid by CTP Japan to Dadway.

The Third Transactions

Upon establishment of CTP Japan, it was agreed between the joint venture partners of CTP Japan that CTP Japan should be responsible to bear the product liability insurance premiums for CYBEX products sold by Dadway prior to the establishment of CTP Japan. For the two financial years ended 31 December 2023, the annual insurance premiums paid by CTP Japan to an insurance company, being an Independent Third Party, on behalf of Dadway for the product liability insurance for CYBEX products amounted to JPY608,300 (approximately HKD43,000) and JPY547,460 (approximately HKD33,000), respectively.

The above insurance premiums for the Third Transactions were determined by the relevant parties through arm's length negotiation and on normal commercial terms, with reference to (i) the arrangement contemplated under the shareholders agreement of CTP Japan; and (ii) the insurance premiums determined by the said insurance company providing product liability insurance for CYBEX products with reference to historical insurance premiums paid for such products under similar insurance scope and coverage.

INFORMATION ON THE GROUP, CTP JAPAN AND DADWAY

The Group is principally engaged in the manufacture, distribution and retail of products for children. The Company is an investment holding company and its subsidiaries were 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.

CTP Japan is a company incorporated in Japan and is principally engaged in the business of distribution and sale of CYBEX car safety seats, strollers and other children products in Japan.

Dadway is a company incorporated in Japan principally engaged in the business of planning, distributing and retailing children products.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

In 2018, for the purpose of promoting the distribution and sales of CYBEX products in Japan, CTP Japan was established as a joint venture company by CYBEX GmbH, being an indirect wholly-owned subsidiary of the Company, and Dadway, being one of the key distributors of CYBEX products of the Group in Japan prior to the establishment of CTP Japan. Upon establishment of CTP Japan, CTP Japan was then held as to 80% by CYBEX GmbH and 20% by Dadway.

Immediately before the Relevant Period, the Group conducted transactions with Dadway including (i) the sale and purchase of CYBEX products in Japan, (ii) the provision of warehousing and logistics services with respect to CYBEX products in Japan, and (iii) the payment of product liability insurance premiums with respect to CYBEX products in Japan. During the Relevant Period, CTP Japan and Dadway continued to engage in such transactions, and the terms of the Transactions were largely consistent with those transactions entered into between the parties immediately before the Relevant Period.

Given the long-term distributorship arrangement with respect to CYBEX products in Japan and cooperation between the Group and Dadway, (a) CTP Japan was able to negotiate a relative competitive pricing with Dadway for the First Transaction taking into account the product promotion and after-sales services provided by Dadway; and (b) CTP Japan was also able to have more efficient inventory management, enhance operational efficiency, achieve cost-saving on transportation and showroom rentals, and provide better support to its customers with respect to the Second Transactions taking into account the comprehensive services provided by Dadway. With respect to the Third Transactions, they were entered into between CTP Japan and Dadway to honour the agreed terms of the shareholders agreement of CTP Japan which required CTP Japan to pay for the product liability insurance premiums for CYBEX products sold by Dadway, and the parties have ceased to engage in the Third Transactions since July 2023.

IMPLICATIONS UNDER THE LISTING RULES

As CTP Japan was a then non-wholly owned subsidiary of the Company which did not fall within the ambit of insignificant subsidiary under Rule 14A.09 of the Listing Rules, and Dadway was a then substantial shareholder of CTP Japan, the Transactions constituted connected transaction of the Company at subsidiary level under Chapter 14A of the Listing Rules during the Relevant Period.

As one or more of the applicable percentage ratios in respect of each of the Transactions with the Second Transactions and the Third Transactions being calculated on aggregate basis were more than 1% but less than 5%, the Transactions were subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules during the Relevant Period.

As CTP Japan has become a wholly-owned subsidiary of the Company since 15 November 2023 as disclosed in the announcement of the Company dated the same date, the Transactions will no longer constitute connected transactions of the Company under the Listing Rules.

NON-COMPLIANCE OF THE LISTING RULES AND REMEDIAL MEASURES

CTP Japan was classified as an insignificant subsidiary of the Company since its establishment, therefore Dadway, being a substantial shareholder of CTP Japan, did not constitute a connected person of the Company and the Transactions did not fall within the ambit of connected transactions under the Listing Rules before the Relevant Period. However, CTP Japan ceased to be an insignificant subsidiary during the Relevant Period as a result of a substantial drop in profits of the Company resulting in an exponential increase in the profits ratio during the relevant financial years. Therefore, the Transactions became connected transactions of the Company as the profits ratio exceeded the required percentage threshold for the purpose of Rule 14A.09 of the Listing Rules.

The Company was not aware of the change of the insignificant subsidiary status of CTP Japan during the Relevant Period due to an inadvertent oversight, therefore it failed to disclose the Transactions under Chapter 14A of the Listing Rules in a timely manner. After being aware that the insignificant subsidiary exemption under Rule 14A.09 of the Listing Rules was no longer applicable to CTP Japan following its internal audit, the Board (including the independent non-executive Directors) has reviewed and ratified the Transactions, and implemented relevant remedial measures to avoid reoccurrence of similar non-compliance with the Listing Rules in the future. Based on the information available to the Board, it is of the view that there is no evidence to suggest that the terms of the Transactions were not on normal commercial terms or not being fair and reasonable, or CTP Japan had provided any preferential treatment to Dadway during the Relevant Period to facilitate the Transactions and deviate from its usual course of business as the terms of the Transactions were largely consistent with those transactions entered into between the parties immediately before the Relevant Period when CTP Japan was regarded as an insignificant subsidiary of the Company pursuant to Rule 14A.09 of the Listing Rules.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Directors has material interest in the Transactions and none of them is required to abstain from voting on the relevant board resolutions to confirm and ratify the Transactions.

The Company regrets such failure and would like to stress that it has no intention of withholding any information relating to any of the Transactions from disclosure to the public. To prevent similar non-compliance from recurring, the Company has implemented and will further adopt the following measures:

- (i) refined its existing policies and procedures in order to increase the effectiveness and efficiency of its internal control procedures with regards to transactions between non-wholly owned subsidiaries (whether being classified as insignificant subsidiaries of the Company or not) and substantial shareholders and/or directors of such non-wholly owned subsidiaries;
- (ii) implemented enhanced measures at the subsidiary level in respect of the coordination and reporting arrangements to ensure prompt reporting of any potential transaction or event where the transaction may constitute a connected transaction;
- (iii) arranged and will continue to arrange further training sessions for all the Directors, senior management and responsible staff in relation to the relevant requirements under Chapter 14A of the Listing Rules in order to strengthen and reinforce their existing knowledge relating to connected transactions, as well as their ability to identify potential issues at an early stage;
- (iv) continue to closely monitor the effectiveness and efficiency of its internal control system, financial reporting system and existing policies and procedures, particularly in the areas of, among other things, connected transactions of the Group under the Listing Rules; and
- (v) work more closely with its legal adviser on compliance issues and will, as and when appropriate, consult other professional advisers before entering into any potential connected transaction.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set opposite them below:

“%”	per cent
“Board”	the board of the Company
“Company”	Goodbaby International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“CTP Japan”	Columbus Trading-Partners Japan Limited, a company incorporated in Japan and an indirect wholly-owned subsidiary of the Company
“Dadway”	DADWAY, INC., a company incorporated in Japan
“Director(s)”	the director(s) of the Company
“First Transaction”	the purchase of CYBEX products by Dadway from CTP Japan for the financial year ended 31 December 2023
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“JPY”	Japanese Yen, the lawful currency of Japan
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Relevant Period”	the two financial years ended 31 December 2023
“Second Transactions”	the provision of warehousing and logistics services by Dadway to CTP Japan for the two financial years ended 31 December 2023
“Shareholder(s)”	shareholder(s) of the Company
“Shares”	ordinary shares of nominal value HKD0.01 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Third Transactions”	the payment of product liability insurance premiums by CTP Japan on behalf of Dadway to an insurance company for the two financial years ended 31 December 2023
“Transactions”	collectively, the First Transaction, the Second Transactions and the Third Transactions

The exchange rates adopted for the purpose of this announcement are HKD0.0708 to JPY1.00 for transactions conducted in the financial year ended 31 December 2022, and HKD0.0601 to JPY1.00 for transactions conducted in the financial year ended 31 December 2023. The exchange rates are provided for illustrative purposes only. No representation is made that any amounts in JPY or HKD can be or could have been converted at the relevant rates or any other rates at all.

By Order of the Board
Goodbaby International Holdings Limited
SONG Zhenghuan
Chairman

Hong Kong, 15 November 2024

As at the date of this announcement, the Executive Directors of the Company are Mr. SONG Zhenghuan, Mr. LIU Tongyou and Mr. Martin POS; the Non-Executive Directors 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.