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Grown Up Group Investment Holdings Limited

植華集團投資控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1842)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2023	2022
Financial Results	HK\$'000	HK\$'000
Revenue	291,560	394,119
Profit/(loss) for the year	1,088	(466)
Basic earnings/(loss) per share (HK cents)	0.09	(0.05)
Diluted earnings/(loss) per share (HK cents)	0.09	(0.05)
	As at 31 December	
	2023	2022
Statement of Financial Position	HK\$'000	HK\$'000
Non-current assets	69,694	72,616
Current assets	183,211	203,259
Total assets	252,905	275,875
Current liabilities	113,398	138,463
Non-current liabilities	3,031	3,181
Total liabilities	116,429	141,644
Net assets	136,476	134,231
	Ratio Analysis	
Current ratio (times)	1.6	1.5
Gearing ratio	30.3%	52.4%

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Grown Up Group Investment Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2023 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2022. These results have been reviewed by the Company’s audit committee (the “**Audit Committee**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	<i>Note</i>	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Revenue	3	291,560	394,119
Cost of sales	5	(249,259)	(335,278)
Gross profit		42,301	58,841
Other income and gains, net	4	14,046	4,325
Selling and distribution expenses	5	(11,949)	(14,255)
Administrative expenses	5	(42,180)	(41,519)
Expected credit losses (“ ECL ”) allowance of trade receivables	5	–	(3,628)
Profit from operations		2,218	3,764
Finance income	6	1,842	266
Finance costs	6	(4,236)	(4,143)
Finance costs, net	6	(2,394)	(3,877)
Loss before income tax		(176)	(113)
Income tax credit/(expense)	7	1,264	(353)
Profit/(Loss) for the year		1,088	(466)

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other comprehensive income/(loss)			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		<u>1,157</u>	<u>(1,550)</u>
Other comprehensive income/(loss) for the year		<u>1,157</u>	<u>(1,550)</u>
Total comprehensive income/(loss) for the year		<u><u>2,245</u></u>	<u><u>(2,016)</u></u>
		2023 <i>HK cents</i>	2022 <i>HK cents</i>
Earnings/(Loss) per share for profit/(loss) attributable to owners of the Company			
Basic and diluted	8	<u><u>0.09</u></u>	<u><u>(0.05)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	<i>Note</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	9	17,182	18,259
Right-of-use assets		4,183	6,130
Financial assets at fair value through profit or loss (“FVTPL”)	12	34,058	34,274
Investment property		1,400	1,400
Intangible assets	10	9,798	10,224
Deferred tax assets		3,073	2,329
		<u>69,694</u>	<u>72,616</u>
Current assets			
Inventories		27,969	27,848
Trade and other receivables	11	66,792	76,755
Financial assets at FVTPL	12	20,185	7,213
Tax recoverable		358	–
Pledged deposits		16,289	45,860
Cash at bank and on hand		51,618	45,583
		<u>183,211</u>	<u>203,259</u>
Total assets		<u><u>252,905</u></u>	<u><u>275,875</u></u>
EQUITY			
Capital and reserves			
Share capital	15	12,000	12,000
Other reserves		53,386	52,229
Retained earnings		71,090	70,002
Total equity		<u><u>136,476</u></u>	<u><u>134,231</u></u>

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		<u>3,031</u>	<u>3,181</u>
Current liabilities			
Trade and other payables	<i>13</i>	65,959	58,380
Contract liabilities		3,401	5,801
Lease liabilities		2,639	1,961
Bill payables		4,119	6,565
Bank borrowings	<i>14</i>	37,280	63,740
Tax payables		<u>–</u>	<u>2,016</u>
		<u>113,398</u>	<u>138,463</u>
Total liabilities		<u>116,429</u>	<u>141,644</u>
Total equity and liabilities		<u>252,905</u>	<u>275,875</u>
Net current assets		<u>69,813</u>	<u>64,796</u>
Total assets less current liabilities		<u>139,507</u>	<u>137,412</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION OF THE GROUP

Grown Up Group Investment Holdings Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands. The address of registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Its principal place of business in Hong Kong is located at Flat D, 7/F., Block 2, Tai Ping Industrial Centre, 55 Ting Kok Road, Tai Po, New Territories, Hong Kong.

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The principal activity of the Company is investment holding. The principal activities of its subsidiaries (collectively, the “**Group**”) are designing, developing, sourcing, manufacturing and selling full range of bag, luggage and accessories, as well as medical related products, tool storage and tool accessories. The Group’s operations are based in Hong Kong, Denmark and the People’s Republic of China (the “**PRC**”). The Group’s principal export markets for its business are Europe and North America.

The consolidated financial statements are presented in the thousands of Hong Kong dollars (“**HK\$000**”), unless otherwise stated.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

This note provides a list of the material accounting policies adopted in the preparation of these consolidated financial statements, unless otherwise states.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) which collective term includes all applicable individual HKFRs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

(a) *New and amended HKFRSs that are effective for annual periods beginning on 1 January 2023*

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2023:

HKFRS 17	Insurance Contracts and related amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

The adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

(b) *Issued but not yet effective HKFRSs*

At the date of authorisation of these consolidated financial statements, certain amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 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 Effective date not yet determined

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

(c) *New HKICPA guidance on the accounting implication of the MPF-LSP offsetting mechanism*

In June 2022, the Hong Kong SAR Government (the “**Government**”) gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”), which will take effect on 1 May 2025 (the “**Transition Date**”). The Amendment Ordinance abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset LSP in respect of an employee’s service from the Transition Date (the “**Abolition**”). In addition, the last month’s salary immediately preceding the Transition Date is used to calculate the portion of the LSP in respect of the employment period before the Transition Date.

Prior to 1 January 2023, the Group applied practical expedient in paragraph 93(b) of HKAS 19 (the “**Practical Expedient**”) to account for the offsettable MPF benefits as deemed employee contributions to reduce the current service costs in the period in which the related services were rendered.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” (“**the Guidance**”) that provides guidance for the accounting for the offsetting mechanism and the impact arising from the abolition of the MPF-LSP offsetting mechanism.

By following the Guidance, the Group has changed its accounting policy in connection with its LSP obligations. As a result of the Abolition, these contributions are no longer considered “linked solely to the employee’s service in that period” since the employer’s mandatory MPF contribution after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, the Group ceased to apply the Practical Expedient and reattribute the deemed employee contributions to periods of service in the same manner as the gross LSP benefit by applying paragraph 93(a) of HKAS 19. This change in accounting policy upon the cessation in applying the Practical Expedient resulted in a catch-up adjustment in profit or loss in June 2022 for the service cost up to that date and consequential impacts on current service cost, interest expense and remeasurement effects from changes in actuarial assumptions for the rest of 2022, with the corresponding adjustment to the carrying amount of the LSP obligations during the year ended 31 December 2022. The change in accounting policy has no impact on the consolidated financial statements of the Group as the carrying amount of LSP obligations of HK\$144,000 and HK\$222,000 as at 31 December 2022 and 2023, respectively, are not significant.

3 REVENUE AND SEGMENT INFORMATION

Chief Operating Decision Maker (“CODM”) of the Group, which consists of the chief executive officer, the chief financial officer and the chief operating officer, examines the Group’s performance from product perspective and has identified private label product segment as the Group’s reportable and operating segment of its business. The private label products segment — private label products are produced and sold under both Original Equipment Manufacturer (“OEM”) and Original Design Manufacturer (“ODM”) businesses to the brand owners or their licensees.

The Group’s operating activities are attributable to a single reportable and operating segment focusing primarily on the designing, developing, sourcing, manufacturing and selling full range of bag, luggage and accessories, as well as medical related products, tool storage and tool accessories under the private label products segment. This operating segment has been identified on the basis of internal management reports reviewed by the CODM. The CODM mainly reviews revenue derived from the private label products segment. The CODM reviews the overall results of the Group as a whole to make decisions about resources allocation. Accordingly, other than the entity-wide disclosure, no segment analysis is presented.

	2023	2022
	HK\$’000	HK\$’000
Sales of goods	291,560	394,119
Timing of revenue recognition		
— At a point in time	291,560	394,119

The Group used the practical expedient where the transaction price allocated to the performance obligations that are unsatisfied, or partially satisfied, are not disclosed as substantially all related contracts have a duration of one year or less.

The Group’s non-current assets (other than financial instruments and deferred tax assets) are divided into the following geographical areas:

	2023	2022
	HK\$’000	HK\$’000
Europe	470	896
The PRC	20,677	22,140
Hong Kong	11,416	12,977
	32,563	36,013

The geographical location of the non-current assets is based on the physical location of the asset in the case of property, plant and equipment, right-of-use assets and investment property, and the location to which they are managed in the case of intangible assets.

4 OTHER INCOME AND GAINS, NET

	2023 HK\$'000	2022 HK\$'000
Rental income	348	503
Gain on disposal of property, plant and equipment	2,083	7,156
Gain arising from sale and leaseback transaction	15,892	–
Unrealised fair value losses on financial assets at FVTPL, net	(4,552)	(3,780)
Realised fair value losses on financial assets at FVTPL, net	(272)	–
Others	547	446
	<u>14,046</u>	<u>4,325</u>

5 EXPENSES BY NATURE

	2023 HK\$'000	2022 HK\$'000
Cost of inventories sold	216,245	302,461
Employee benefit expenses	49,099	48,762
Transportation and freight charges	6,324	6,104
Amortisation of intangible assets	426	428
Depreciation of right-of-use assets	2,094	2,868
Depreciation of property, plant and equipment	1,311	2,156
Directors' emoluments	8,504	9,379
Expenses related to short-term leases	288	499
Auditor's remuneration		
— Audit services	893	850
— Non-audit services	42	64
ECL allowance of trade receivables	–	3,628
Legal and professional fees	2,383	3,314
Sample costs	2,359	2,323
Sales and marketing expenses	2,696	4,898
Design and development expenses	282	779
Exchange differences	811	(3,542)
Provision for inventories	–	496
Others	9,631	9,213
	<u>303,388</u>	<u>394,680</u>
Representing:		
Cost of sales	249,259	335,278
Selling and distribution expenses	11,949	14,255
Administrative expenses	42,180	41,519
ECL allowance of trade receivables	–	3,628
	<u>303,388</u>	<u>394,680</u>

6 FINANCE COSTS, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Finance income		
— Interest income from bank deposits	<u>1,842</u>	<u>266</u>
Finance costs		
— Interest expenses on bank borrowings and bank overdrafts	(4,001)	(4,028)
— Interest expenses on lease liabilities	<u>(235)</u>	<u>(115)</u>
	<u>(4,236)</u>	<u>(4,143)</u>
Finance costs, net	<u><u>(2,394)</u></u>	<u><u>(3,877)</u></u>

7 INCOME TAX (CREDIT)/EXPENSE

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2022: 16.5%) on the estimated assessable profit for the year ended 31 December 2023, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2 million of the estimated assessable profits of qualifying entities are taxed at 8.25%, and the estimated assessable profits above HK\$2 million are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2022.

The Group's PRC subsidiaries are subject to the China Corporate Income Tax ("CIT") at the rate of 25% (2022: 25%) for the year ended 31 December 2023. Certain PRC subsidiaries of the Group that qualify as small and thin-profit enterprises with an annual taxable income of Renminbi ("RMB") 1 million or less are applicable to the effective CIT rate of 5% (2022: 5%). Where the taxable income exceeds RMB1 million but does not exceed RMB3 million, the RMB1 million portion will be subject to an effective CIT rate of 5% (2022: 2.5%), whereas the excess portion will be subject to the effective CIT rate of 5% (2022: 5%) for the year ended 31 December 2023.

The Group's subsidiaries in Denmark are subject to income tax at the rate of 22% (2022: 22%) for the year ended 31 December 2023.

The amount of income tax (credited)/charged to profit or loss represents:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current income tax		
— Hong Kong Profits Tax	—	138
— CIT	804	894
— Over-provision from prior years	(1,324)	(171)
Deferred income tax	<u>(744)</u>	<u>(508)</u>
	<u><u>(1,264)</u></u>	<u><u>353</u></u>

8 EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share are calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares deemed to be in issue during the years ended 31 December 2023 and 2022.

The calculation of the basic earnings/(loss) per share attributable to owners of the Company is based on the following data:

	2023	2022
Profit/(Loss) for the purpose of basic earnings/(loss) per share (<i>HK\$'000</i>)	1,088	(466)
Weighted average number of ordinary shares in issue (<i>thousands of shares</i>)	<u>1,200,000</u>	<u>1,014,795</u>
Basic earnings/(loss) per share (<i>HK cents</i>)	<u>0.09</u>	<u>(0.05)</u>

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares issued during the year ended 31 December 2023.

Diluted loss per share is the same as basic loss per share as the Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2022.

9 PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2023, the Group had approximately HK\$1,279,000 (2022: HK\$701,000) additions to property, plant and equipment and disposed of property, plant and equipment with a total net carrying amount of approximately HK\$1,057,000 (2022: HK\$1,454,000).

10 INTANGIBLE ASSETS

During the years ended 31 December 2023 and 2022, the Group had no addition to intangible assets. There was no impairment adjusted to the carrying amount of intangible assets during the years ended 31 December 2023 and 2022.

11 TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables, net of ECL allowance	56,709	60,956
Prepayments, deposits and other receivables	<u>10,083</u>	<u>15,799</u>
	<u>66,792</u>	<u>76,755</u>

Majority of payment terms with customers are within 60 to 90 (2022: 60 to 90) days and certain major customers were granted with longer credit terms on discretion. As at 31 December 2023 and 2022, the aging analysis of trade receivables and net of ECL allowance based on invoice date is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–30 days	46,465	38,887
31–60 days	4,710	13,883
61–90 days	2,759	4,813
91–120 days	140	1,247
Over 120 days	2,635	2,126
	<u>56,709</u>	<u>60,956</u>

12 FINANCIAL ASSETS AT FVTPL

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current		
— Key management insurance contracts	26,946	26,274
— Investment in Cheung Chau Project (formerly known as NFT-themed Project)	7,112	8,000
	<u>34,058</u>	<u>34,274</u>
Current		
— Listed equity investments in Hong Kong	9,001	7,213
— Listed equity investment in Australia	1,933	–
— Unlisted equity investment outside Hong Kong	9,251	–
	<u>20,185</u>	<u>7,213</u>
	<u>54,243</u>	<u>41,487</u>

13 TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	56,700	41,492
Accruals and other payables	9,259	16,888
	<u>65,959</u>	<u>58,380</u>

Majority of payment terms with suppliers are within 60 to 90 (2022: 60 to 90) days. As at 31 December 2023 and 2022, the aging analysis of trade payables of the Group by invoice date is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–30 days	18,078	10,299
31–60 days	20,475	17,623
61–90 days	10,176	8,070
Over 90 days	7,971	5,500
	<u>56,700</u>	<u>41,492</u>

14 BANK BORROWINGS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Secured and repayable on demand		
— Bank overdrafts	4,300	11,744
— Bank borrowings	32,980	51,996
	<u>37,280</u>	<u>63,740</u>

As at 31 December 2023 and 2022, the interest rates of the bank borrowings ranged from 5.0% to 6.9% and 5.0% to 6.5% per annum, respectively.

For the years ended 31 December 2023 and 2022, the interest rates of the bank borrowings ranged from 4.4% to 6.9% and 1.5% to 7.8% per annum, respectively.

15 SHARE CAPITAL

	Number of ordinary shares at HK\$0.01 each '000	<i>HK\$'000</i>
Authorised:		
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	<u>10,000,000</u>	<u>100,000</u>
Issued and fully paid:		
As at 1 January 2022	1,000,000	10,000
Issuance of shares through placing (<i>note</i>)	<u>200,000</u>	<u>2,000</u>
As at 31 December 2022, 1 January 2023 and 31 December 2023	<u>1,200,000</u>	<u>12,000</u>

Note: On 9 November 2022, the Company entered into a placing agreement with a placing agent in respect of the placement of 200,000,000 ordinary shares of HK\$0.01 each to independent investors at a price of HK\$0.16 per share. The placement was completed on 5 December 2022 and the aggregate cash subscription price received, before share issue expenses, was HK\$32,000,000. This transaction resulted in an increase of the issued share capital and share premium account of HK\$2,000,000 and HK\$29,518,000, respectively.

16 DIVIDENDS

For the years ended 31 December 2023 and 2022, the Company did not declare any dividend.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

We are one of the leading global corporates with over three decades of experience in the industry of designing, developing, sourcing, manufacturing and selling and distributing a full range of bags, luggage and accessories as well as medical related products, tool storage and tool accessories. Leveraging on the Group's design and development competence and advanced manufacturing knowhow with multiple geographical manufacturing capabilities, the Group has been able to offer comprehensive supply chain solutions which ensure a stable and quality supply with product design optimisation to our diverse and global customer portfolio.

During the Reporting Period, the Group's performance was mainly overwhelmed by (i) the escalated Russia-Ukraine War and (ii) the increased global inflation rate and interest rate and recorded a 26% decrease in revenue in 2023. In order to maintain the competitive position in the bags and luggage industry, the Group will keep on diversifying its customer base and optimizing its cost structure and supply chain network, in a hope to achieve profitability and sustainable growth of the Group.

The revenue of our private label products business for the Reporting Period decreased by approximately HK\$102.5 million or approximately 26.0%, from approximately HK\$394.1 million for the year ended 31 December 2022 to approximately HK\$291.6 million for the Reporting Period. Such decrease was mainly attributable to the significant drop in sales from North America in 2023. Additionally, we also experienced the decrease in sales of essential bags, tool storage and tool accessories during the Reporting Period. The breakdown of the revenue by product portfolio and product category are set out as below:

	Year ended 31 December			
	2023		2022	
	Revenue		Revenue	
	HK\$'000	%	HK\$'000	%
Private label products				
Backpack and others	137,588	47	204,194	52
Tool bags	54,441	19	105,318	27
Luggage	34,552	12	15,595	4
Medical bags and related supplies	64,979	22	69,012	17
Total	<u>291,560</u>	<u>100</u>	<u>394,119</u>	<u>100</u>

Cost of Sales and Gross Profit

Our cost of sales decreased by approximately HK\$86.0 million or approximately 25.6% from approximately HK\$335.3 million for the year ended 31 December 2022 to approximately HK\$249.3 million for the Reporting Period. Such decrease was primarily due to the decrease in cost of inventories sold which was in line with our decreased revenue. During the Reporting Period, our overall gross profit margin slightly decreased to 14.5% from 14.9% for the year ended 31 December 2022.

Selling and Distribution Expenses

Our selling and distribution expenses mainly include salaries and benefits of sales and marketing staff, marketing and promotion and travelling expenses.

Our selling and distribution expenses decreased by approximately HK\$2.4 million from approximately HK\$14.3 million for the year ended 31 December 2022 to approximately HK\$11.9 million for the Reporting Period. Such decrease was mainly due to the decrease in sales, in particular, there was a relatively large decline in sales in the second half of 2023 and the optimization of sales and marketing network during the Reporting Period.

Administrative Expenses

Our administrative expenses slightly increased by approximately HK\$0.7 million from approximately HK\$41.5 million for the year ended 31 December 2022 to approximately HK\$42.2 million for the Reporting Period. Such increase was mainly due to the turnaround from net exchange gain of approximately HK\$3.5 million for the year ended 31 December 2022 to net exchange loss of approximately HK\$0.8 million for the Reporting Period, which was offset by (i) the decrease in depreciation of right-of-use assets and property, plant and equipment of approximately HK\$1.6 million, (ii) the decrease in directors' emoluments of approximately HK\$0.9 million and (iii) the decrease in legal and professional fee of approximately HK\$0.9 million.

Finance Costs, net

Our finance costs, net decreased by approximately HK\$1.5 million from approximately HK\$3.9 million for the year ended 31 December 2022 to approximately HK\$2.4 million for the Reporting Period. Such decrease was mainly driven by the improved Group financing structure and comparatively low utilisation of facilities the Reporting Period.

Other Income and Gains, Net

Our other income and gains, net, increased by approximately HK\$9.7 million from approximately HK\$4.3 million for the year ended 31 December 2022 to approximately HK\$14.0 million for the Reporting Period.

Such increase was mainly due to the gain arising from sale and leaseback transaction (“**Sale and Leaseback Transaction**”) of HK\$15.9 million completed on 25 September 2023, which was offset by the unrealised fair value losses on financial assets at FVTPL, net of HK\$4.6 million recognised during the Reporting Period. Details of the Sale and Leaseback Transaction are set out in the section headed “Connected Transactions” below in this section.

Income Tax

For the Reporting Period, the Group’s income tax credit amounted to approximately HK\$1.3 million, as compared with approximately HK\$0.4 million income tax expense for the year ended 31 December 2022.

Profit for the year

The Group reported a net profit of approximately HK\$1.1 million during the Reporting Period as compared to a net loss of approximately HK\$0.5 million for the year ended 31 December 2022.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING

The Group funds its business and working capital requirements by using a balanced mix of internal resources, bank borrowings, a partial portion of the proceeds from the initial public offering and proceeds from the Company’s equity fund raising exercises. The funding mix will be adjusted depending on the costs of funding and the actual needs of the Group.

As at 31 December 2023, the Group had net current assets of approximately HK\$69.8 million (31 December 2022: HK\$64.8 million), cash and bank balances and pledged deposits amounted to approximately HK\$67.9 million (31 December 2022: HK\$91.4 million) and bank borrowings amounted to approximately HK\$37.3 million (31 December 2022: HK\$63.7 million). The Group’s cash and bank balances as at 31 December 2023 were mainly denominated in Renminbi (“**RMB**”), Hong Kong Dollars (“**HK\$**”) and United States Dollars (“**USD**”). The Group’s borrowings carried interest at rates ranging from 5.0% to 6.9% per annum as at 31 December 2023 (2022: 5.0% to 6.5%), and from 4.4% to 6.9% per annum during the Reporting Period (31 December 2022: 1.5% to 7.8%).

The Group’s gearing ratio as at 31 December 2023 was 30.3% (31 December 2022: 52.4%), calculated by dividing total debt by total equity multiplied by 100%. Total debt is defined as the sum of bank borrowings and bill payables.

CONTINGENT LIABILITIES

As at 31 December 2023 and 2022, the Group did not have any significant contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

The Group had no material events after the Reporting Period and up to the date of this announcement.

CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 31 December 2023 and 2022.

EMPLOYEE INFORMATION

As at 31 December 2023, the Group had approximately 393 employees. Salaries and benefits of the Group's employees were kept at a market level and employees were rewarded on a performance-related basis. Remuneration is reviewed annually. Staff benefits include contribution to mandatory contribution fund, discretionary bonus and share options. As at the date of this announcement, no share option has been granted or agreed to be granted to employees of the Group.

MATERIAL ACQUISITIONS AND DISPOSALS

Save for the Disposal as disclosed in the paragraph headed "Connected Transactions" below, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group during the Reporting Period (31 December 2022: nil).

SIGNIFICANT INVESTMENT HELD

Save for the key management insurance contracts of approximately HK\$26.9 million (31 December 2022: HK\$26.3 million) held as financial assets at FVTPL as disclosed in note 12, there were no other material investments (i.e. accounting for 5% of the total asset of the Group) held by the Group (31 December 2022: nil) as at 31 December 2023.

As at 31 December 2023, the key management insurance contracts of HK\$26.9 million represented approximately 10.7% of the Group's total assets (31 December 2022: 9.5%). The key management insurance contracts were pledged as collateral for the Group's bank borrowings. The beneficiary of the key management insurance contracts is Grown-Up Manufactory Limited, an indirect wholly-owned subsidiary of the Company. For details of the key management insurance contracts, please refer to the Company's announcement dated 8 August 2022.

CHARGE ON ASSETS

As at 31 December 2023 and 2022, the following assets were pledged to banks to secure general banking facilities granted to the Group:

- (i) Land and buildings with carrying values of HK\$1.1 million as at 31 December 2022 and no such pledge as at 31 December 2023;
- (ii) Pledged deposits of approximately HK\$16.3 million (2022: approximately HK\$45.9 million); and
- (iii) Financial assets at FVTPL of HK\$26.9 million (2022: HK\$26.3 million).

FOREIGN CURRENCY EXPOSURE

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD and RMB. Any significant fluctuation in the exchange rates between USD and RMB may affect the profitability. The Group currently does not have a foreign currency hedging policy. The Group will continue to monitor its foreign currency exposure closely and consider hedging significant foreign currency exposure should the need arise.

DIVIDEND

The Board did not recommend the payment of a final dividend by the Company for the Reporting Period (2022: nil).

USE OF THE PROCEEDS FROM THE PLACING COMPLETED IN 2022

On 5 December 2022, the Group completed the Placing and placed 200,000,000 Placing Shares at the placing price of HK\$0.16 per Placing Share. The net proceeds from the Placing (the “**Placing Net Proceeds**”), after deduction of all relevant expenses (including but not limited to placing commission, legal expenses and disbursements) amounted to approximately HK\$31.3 million. As disclosed in the Company’s announcement dated 9 November 2022, the Group intends to apply the Placing Net Proceeds to (1) fund the existing business operation; (2) increase brand awareness by participating in an NFT-themed project; (3) repay the outstanding liabilities; and (4) use as general working capital of the Group.

During the Reporting Period, the Placing Net Proceed had been applied as follows:

	Amount of Placing Net Proceeds HK\$'000	Placing Net proceeds brought forward from 31 December 2022 HK\$'000	Placing Net Proceeds utilised during the Reporting Period HK\$'000	Unutilised Placing Net Proceeds as at 31 December 2023 HK\$'000	Expected timeline on utilisation of unutilised Placing Net Proceeds
Funding the existing business operation (<i>Note</i>)	15,300	15,300	15,300	–	N/A
Participating in an Cheung Chau project	8,000	–	–	–	–
Repaying outstanding liabilities (<i>Note</i>)	5,000	2,363	2,363	–	N/A
General working capital	3,000	–	–	–	–
	<u>31,300</u>	<u>17,663</u>	<u>17,663</u>	<u>–</u>	

Note: Particulars of the Placing Net Proceeds applied during the Reporting Period are set out below:

Intended use of the Placing Net Proceeds	Description of the Placing Net Proceeds Utilised during the Reporting Period
Repaying outstanding liabilities	Repayment of bank loans
Funding the existing business operation	Supporting business operation

CONNECTED TRANSACTIONS

Continuing connected transaction

On 31 December 2021, Grown-Up Manufactory Limited (“GPM”), a subsidiary of the Company, entered into a framework supply agreement (the “**Framework Supply Agreement**”) with GPL HK, pursuant to which GPM and its subsidiaries agreed to sell and GPL HK and its subsidiaries (“**GPL Group**”) agreed to purchase backpack, bags and luggage products (the “**Products**”). GPL HK, is a former subsidiary of the Group which is now indirectly and wholly-owned by Mr. Berg, an executive Director and the chairman of the Board.

Pursuant to Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange (the “**Listing Rules**”), GPL HK is a connected person of the Company and the transaction contemplated under the Framework Supply Agreement constituted continuing connected transaction of the Company.

For the Reporting Period, the proposed cap for the transaction amounts under the Framework Supply Agreement and the actual transaction amounts under the Framework Supply Agreement were as follows:

	Total amount for the Reporting Period	
	Proposed annual cap	Actual transaction amount
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Sales of Products by the Group to GPL Group	<u>70,000</u>	<u>52,686</u>

The pricing of the Products is agreed between the Group and GPL Group, which shall be determined in the ordinary course business on normal commercial terms, negotiated on arm’s length basis by both parties and based on the prevailing market price at the time of the transaction (which shall be on terms no less favourable than those offered by the Group to the independent third parties and/or prevailing in the market for the Products of similar type and quality).

Confirmation from independent non-executive Directors

The independent non-executive Directors confirmed that the above continuing connected transaction was entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms or better; and (iii) in accordance with the Framework Supply Agreement on terms that are fair and reasonable and in the interests of the Company’s shareholders as a whole.

Confirmation from the auditor

Grant Thornton Hong Kong Limited (“**Grant Thornton**”), the Company’s independent auditor, was engaged to report on the continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 (Revised) “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants.

Grant Thornton has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above pursuant to Rule 14A.56 of the Listing Rules.

Grant Thornton has confirmed in a letter to the Board that, nothing has come to their attention that causes the auditor to believe that the transaction under the Framework Supply Agreement: (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with each of the Master Agreement and Framework Supply Agreement; and (iv) have exceeded the annual cap.

A copy of the auditor’s letter will be provided to the Stock Exchange by the Company in accordance with Rule 14A.57 of the Listing Rules.

Connected transactions — Sale and Leaseback Transaction

On 14 April 2023, GPM entered into a sale and purchase agreement with Vking Marine Limited, a company wholly-owned by Mr. Berg (“**Vking**”) pursuant to which GPM agreed to sell and Vking agreed to purchase the Group’s property located at Factory D on 7th Floor, Tai Ping Industrial Centre, Block 2, No. 55 Ting Kok Road, Tai Po, New Territories (the “**Property**”) at a consideration of HK\$19.5 million (the “**Disposal**”). The Disposal constituted a one-off connected transaction of the Company under Chapter 14A of the Listing Rules. The consideration was determined with reference to the prevailing property market in Hong Kong and the market price of similar properties in the vicinity of the Property. The Disposal was completed on 25 September 2023.

The Property has been used by the Group as an ancillary office and storage space and GPM (as lessee) had entered into a tenancy agreement (the “**Tenancy Agreement**”) with Vking (as lessor) for the lease of the Property for a term of three years commencing from 25 September 2023 at a rent of HK\$243,000 per quarter inclusive of property tax, Government rent and rates payable in advance on the commencement of every quarter. The rent was determined after arm’s length negotiations between GPM and Vking with reference to the prevailing property market in Hong Kong and the market rent of similar properties in the vicinity of the Property. The transactions contemplated under the Tenancy Agreement (the “**Lease Transactions**”) was recognised as an acquisition of the right-of-use assets which constituted a fully-exempt one-off connected transaction of the Company under Chapter 14A of the Listing Rules.

For details of the Disposal and the Lease Transactions (i.e. Sale and Leaseback Transaction), please refer to the Company's announcements dated 14 April 2023 and 25 September 2023, respectively.

Save as disclosed above, the Group had not entered into any connected transaction during the Reporting Period, which is required to be disclosed under Chapter 14A of the Listing Rules.

NOTIFIABLE TRANSACTION

The Group had not entered into any notifiable transaction during the Reporting Period, which is required to be disclosed under Chapter 14 of the Listing Rules.

OUTLOOK AND PROSPECTS

In 2024, the Group expects global economic recovery to continue, with gradual improvements in key indicators such as GDP growth and employment rates. However, it is anticipated that recovery may be uneven across regions, and uncertainties relating to trade tensions and geopolitical conflicts could potentially impact the pace of recovery.

The Group will closely monitor market conditions and adjust its strategies accordingly. As moving into the new financial year, the Group expects that it is likely to continue to face various competitive pressures, including rising materials and labor costs in the PRC, competitors' pricing strategies, changes in customer preferences and consumption trends, etc. The Group will continue to take prudent and responsible measures to preserve a healthy financial position that will allow it to sustain its operations and pursue new possibilities.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "AGM") will be held on Friday, 21 June 2024 and the notice of AGM will be published and despatched in the manner as required by the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Tuesday, 18 June 2024 to Friday, 21 June 2024, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 17 June 2024.

CORPORATE GOVERNANCE

During the Reporting Period, the Company has complied with the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix C1 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange, except for the deviation as described below.

The code provision F.2.2 of the CG Code provides that the chairman of the board of directors of a listed issuer should attend the annual general meeting. The non-executive Director, Mr. Fung Bing Ngon was unable to join the annual general meeting of the Company held on 25 May 2023 (the “**2023 AGM**”) due to other business engagement. Ms. Shut Ya Lai, an executive Director, was elected by the Directors to chair the 2023 AGM. Respective chairmen and members of the audit committee (the “**Audit Committee**”), remuneration committee and nomination committee of the Company were present at the 2023 AGM and were available to answer relevant questions, which was in compliance with other parts of the code provision F.2.2.

MODEL CODE OF CONDUCT OF 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 of the Listing Rules as its own code of conduct regarding the Directors’ securities transactions. Having made specific enquiries of the Directors, all the Directors have confirmed that they have complied with the requirements of the Model Code.

RETIREMENT SCHEMES

The Group participated in the Mandatory Provident Fund Scheme for its employees in Hong Kong. The Group also made monthly contributions to state-sponsored defined contribution scheme for its employees in the PRC, and contributed to the occupational pension scheme to its employees in Denmark, respectively.

During the Reporting Period and the year ended 31 December 2023, no contributions were forfeited by the Group on behalf of its employees who left the scheme prior to vesting fully in such contributions. Hence, no forfeited contributions were used by the Group to reduce the existing level of contributions as described in paragraph 26 of Appendix 16 to the Listing Rules.

COMPETING INTERESTS

Neither the Directors, the controlling shareholders of the Company nor their respective close associates is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business during the Reporting Period, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

AUDIT COMMITTEE

The Company has established the Audit Committee in accordance with Rule 3.21 of the Listing Rules with the written terms of reference in compliance with the CG Code. The Audit Committee consists of three independent non-executive Directors, namely, Mr. Tsang Hing Suen, Mr. Wong Kai Hing and Mr. Chan Ting Leuk Arthur. Mr. Tsang Hing Suen is currently serving as the chairman of the Audit Committee.

The Group's consolidated financial statements for the Reporting Period have been reviewed and approved by the Audit Committee. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of this announcement of the Group's results for the Reporting Period have been agreed by the Company's external auditor, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the Reporting Period. The work performed by Grant Thornton in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Grant Thornton on this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the Company's website at www.grown-up.com and the website of the Stock Exchange at www.hkexnews.hk. The annual report of the Company for the Reporting Period will be dispatched to shareholders of the Company who wish to receive a printed copy of the corporate communication and will also be published on the aforesaid websites of the Stock Exchange and the Company in due course.

By order of the Board
Grown Up Group Investment Holdings Limited
Thomas Berg
Chairman and executive Director

Hong Kong, 22 March 2024

As at the date of this announcement, the executive Directors of the Company are Mr. Thomas Berg, Mr. Morten Rosholm Henriksen and Ms. Shut Ya Lai, and the independent non-executive Directors of the Company are Mr. Tsang Hing Suen, Mr. Wong Kai Hing and Mr. Chan Ting Leuk Arthur.