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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)

### ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Financial Highlights	For the year ended 31 December		Year-on-year change (%)
	2019	2018	
	<i>(HK\$ million, unless specified)</i>		
Revenue	8,777.1	8,629.1	1.7%
Gross profit	3,780.6	3,661.3	3.3%
Operating profit <sup>1</sup>	389.9	326.8	19.3%
Non-GAAP <sup>2</sup> operating profit	473.0	432.3	9.4%
Profit for the year	202.6	166.8	21.5%
Non-GAAP profit for the year	276.1	255.8	7.9%
Profit for the year attributable to owners of the parent	202.2	163.8	23.4%
EPS (HK\$)			
– basic	0.12	0.10	20.0%
– diluted	0.12	0.10	20.0%

<sup>1.</sup> Operating profit represents the total sum of gross profit, other income and gains, selling and distribution expenses, administrative expenses and other expenses.

<sup>2.</sup> 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**”) of Goodbaby International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) announces the consolidated results of the Group for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018 as below.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 December 2019*

	<i>Notes</i>	<b>2019</b> <i>(HK\$'000)</i>	2018 <i>(HK\$'000)</i>
Revenue	4	<b>8,777,142</b>	8,629,115
Cost of sales		<b>(4,996,484)</b>	(4,967,782)
Gross profit		<b>3,780,658</b>	3,661,333
Other income and gains	4	<b>74,116</b>	98,303
Selling and distribution expenses		<b>(2,274,966)</b>	(2,208,873)
Administrative expenses		<b>(1,170,329)</b>	(1,207,135)
Other expenses		<b>(19,544)</b>	(16,803)
Finance income	5	<b>4,543</b>	3,867
Finance costs	6	<b>(141,856)</b>	(123,576)
Share of profits and losses of:			
Joint ventures		<b>339</b>	407
An associate		<b>(131)</b>	–
<b>PROFIT BEFORE TAX</b>	7	<b>252,830</b>	207,523
Income tax expense	8	<b>(50,262)</b>	(40,692)
<b>PROFIT FOR THE YEAR</b>		<b>202,568</b>	166,831
Attributable to:			
Owners of the parent		<b>202,194</b>	163,764
Non-controlling interests		<b>374</b>	3,067
		<b>202,568</b>	166,831
<b>EARNINGS PER SHARE</b>			
<b>ATTRIBUTABLE TO ORDINARY</b>			
<b>EQUITY HOLDERS OF THE PARENT:</b>	<i>10</i>		
Basic			
For profit for the year (HK\$)		<b>0.12</b>	0.10
Diluted			
For profit for the year (HK\$)		<b>0.12</b>	0.10

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***Year Ended 31 December 2019*

	2019 (HK\$'000)	2018 (HK\$'000)
<b>PROFIT FOR THE YEAR</b>	<b><u>202,568</u></b>	<b><u>166,831</u></b>
<b>OTHER COMPREHENSIVE LOSS</b>		
<i>Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:</i>		
Cash flow hedges		
Effective portion of changes in fair value of hedging instruments arising during the year	3,794	(7,157)
Reclassification adjustments for gains included in the consolidated statement of profit or loss	(2,341)	(10,046)
Income tax effect	<u>(218)</u>	<u>3,137</u>
	1,235	(14,066)
Exchange differences on translation of foreign operations	<u>(123,711)</u>	<u>(303,100)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<u>(122,476)</u>	<u>(317,166)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Actuarial (loss)/gains of defined benefit plans	<u>(1,724)</u>	<u>4,389</u>
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	<u>(1,724)</u>	<u>4,389</u>
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>	<b><u>(124,200)</u></b>	<b><u>(312,777)</u></b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>	<b><u>78,368</u></b>	<b><u>(145,946)</u></b>
Attributable to:		
Owners of the parent	78,093	(148,930)
Non-controlling interests	<u>275</u>	<u>2,984</u>
	<b><u>78,368</u></b>	<b><u>(145,946)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2019*

	<i>Notes</i>	<b>31 December 2019 (HK\$'000)</b>	31 December 2018 (HK\$'000)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,059,572	1,077,786
Right-of-use assets		296,480	–
Prepaid land lease payments		–	50,925
Goodwill		2,637,062	2,682,108
Other intangible assets		2,177,501	2,238,039
Investments in joint ventures		5,903	5,078
Investment in an associate		2,082	–
Deferred tax assets		121,569	151,589
Other long-term assets		8,781	7,999
		<hr/>	<hr/>
Total non-current assets		6,308,950	6,213,524
<b>CURRENT ASSETS</b>			
Inventories	<i>11</i>	1,954,471	1,943,977
Trade and notes receivables	<i>12</i>	1,075,634	1,097,040
Prepayments and other receivables		441,332	418,987
Due from a related party		11,595	11,571
Cash and cash equivalents		1,054,615	926,952
Time deposits		–	3,447
Pledged deposits		24,031	–
Derivative financial instruments	<i>13</i>	6,334	2,987
		<hr/>	<hr/>
Total current assets		4,568,012	4,404,961
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>14</i>	1,324,362	1,439,374
Other payables and accruals		808,158	760,566
Income tax payable		11,960	16,497
Provision		35,552	37,446
Interest-bearing bank loans and other borrowings	<i>15</i>	892,220	887,462
Lease liabilities		98,388	–
Derivative financial instruments	<i>13</i>	4,571	1,058
Defined benefit plan liabilities		631	705
Dividends payable		8	8
		<hr/>	<hr/>
Total current liabilities		3,175,850	3,143,116
<b>NET CURRENT ASSETS</b>		<hr/>	<hr/>
		1,392,162	1,261,845
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/>	<hr/>
		7,701,112	7,475,369

	<i>Notes</i>	<b>31 December 2019 (HK\$'000)</b>	31 December 2018 (HK\$'000)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>7,701,112</b>	7,475,369
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank loans and other borrowings	15	<b>1,861,526</b>	1,889,728
Provision		<b>50,357</b>	44,984
Defined benefit plan liabilities		<b>5,201</b>	7,281
Other liabilities		<b>5,633</b>	13,953
Lease liabilities		<b>156,808</b>	–
Deferred tax liabilities		<b>535,453</b>	556,317
Total non-current liabilities		<b>2,614,978</b>	2,512,263
<b>Net assets</b>		<b>5,086,134</b>	4,963,106
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		<b>16,680</b>	16,680
Reserves		<b>5,020,793</b>	4,898,040
		<b>5,037,473</b>	4,914,720
<b>Non-controlling interests</b>		<b>48,661</b>	48,386
<b>Total equity</b>		<b>5,086,134</b>	4,963,106

## NOTES TO FINANCIAL STATEMENTS

### 1. CORPORATE AND GROUP INFORMATION

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

The Group is principally engaged in the manufacture and distribution of products for children.

#### Information about subsidiaries

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

Name of company Subsidiaries	Place and date of incorporation/ registration	Percentage of equity interest attributable to the Company		Paid-in/issued and fully paid share capital	Principal activities
		Direct	Indirect		
Goodbaby (Hong Kong) Limited ("GBHK")	Hong Kong, 23 July 1999	100%	–	HK\$1,000	Investment holding and sales agent company
Goodbaby Child Products Co., Ltd. ("GCPC")	The People's Republic of China ("PRC"), 18 November 1994	–	100%	US\$51,500,000	Manufacture, distribution and sale of safety belts, cloth sets, car safety seats, car components for children, infant strollers and bicycles
Ningbo Goodbaby Child Products Co., Ltd. ("GCPN")	PRC, 9 September 1996	–	85%	RMB10,000,000	Manufacture, distribution and sale of child cloth beds, infant strollers, bath chairs for children and stadium chairs
Paragon Child Product Co., Ltd. ("PCPC")	PRC, 5 November 2008	–	100%	RMB10,000,000	Manufacture, distribution and sale of bicycles, sports utilities, e-cars and wooden products
Pingxiang Goodbaby Child Products Co., Ltd. ("GCPX")	PRC, 26 December 2011	–	100%	RMB2,000,000	Manufacture, distribution and sale of child cloth beds, infant strollers, bath chairs for children and stadium chairs
EQO Testing and Certification Services Co., Ltd. ("EQTC")	PRC, 30 November 2012	–	100%	RMB5,000,000	Testing of children's products, tools, electronic products and advisory for risk valuation of product quality
Serena Merger Co., Inc. ("SERE")	U.S., 28 May 2014	–	100%	US\$1,000	Investment holding
Evenflo Company, Inc. ("EFCO")	U.S., 1 October 1992	–	100%	US\$86,500	Manufacture, distribution and sale of car safety seats, infant strollers and baby related products
Muebles Para Ninos De Baja, S.A. De C.V. ("EFMX")	Mexico, 29 June 1987	–	100%	Peso1,720,000	Manufacture of baby related products
Goodbaby Canada Inc. ("EFCA")	Canada, 18 March 1991	–	100%	US\$7,000	Distribution and sale of baby related products

Name of company Subsidiaries	Place and date of incorporation/ registration	Percentage of equity interest attributable to the Company		Paid-in/issued and fully paid share capital	Principal activities
		Direct	Indirect		
Columbus Trading-Partners GmbH & Co. KG ("CTPE")	Germany, 26 February 2016	–	100%	EUR100	Distribution and sale of car safety seats, infant strollers and other parenting products
Goodbaby Czech Republic s.r.o. ("GBCZ")	Czech Republic, 8 February 2016	–	100%	CZK200,000	IT services and a share service centre
Goodbaby (Europe) GmbH & Co KG ("GEGC")	Germany, 28 January 2014	–	100%	EUR100	Investment holding
Cybex GmbH ("CBGM")	Germany, 5 March 2014	–	100%	EUR33,400	Purchase, sale, holding and management of participating interests and development and production of child car-seats, strollers, child carrying systems, pushchairs, high chairs and other products for children
GB GmbH ("GBGM")	Germany, 21 August 2015	–	100%	EUR25,000	Purchase, sale, holding and management of participating interests and development and production of child car-seats, strollers, child carrying systems, pushchairs, high chairs and other products for children
Columbus Trading Partners USA Inc. ("CBUS")	U.S., 24 November 2014	–	100%	US\$1	Distribution and sale of car safety seats, infant strollers and other parenting products
Columbus Trading Partners Scandinavia A/S ("CBDK")	Denmark, 1 September 2015	–	70%	DKK500,000	Distribution and sale of car safety seats, infant strollers and other parenting products
Columbus Trading Partners Japan Limited ("CBJP")	Japan, 20 February 2018	–	80%	JPY2,200,000	Distribution and sale of car safety seats, infant strollers and other parenting products
Oasis Dragon Limited ("ODLI")	Samoa, 13 November 2015	100%	–	US\$1	Investment holding
Goodbaby (China) Retail & Service Company ("GRCN")	PRC, 11 May 2016	–	100%	RMB50,000,000	Wholesale and retail of children's products
Shanghai Goodbaby Children Fashion Co., Ltd. ("SHFS")	PRC, 20 January 1998	–	100%	RMB20,000,000	Distribution and retail business of children's products
Goodbaby Nantong Fashion Co., Ltd. ("NTFS")	PRC, 19 March 2015	–	80%	RMB10,000,000	Wholesale and retail of children's products

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) issued by International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for call and put options over non-controlling interests, derivative financial instruments and wealth management products which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements:

Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i>
IFRS 16	<i>Leases</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements to 2015-2017 Cycle</i>	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9 and IAS 19, and *Annual Improvements to 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

- (a) IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

### **New definition of a lease**

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

### **As a lessee – Leases previously classified as operating leases**

#### *Nature of the effect of adoption of IFRS 16*

The Group has lease contracts for various items of property, machinery, motor vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (“**short-term leases**”) (elected by class of underlying asset).

Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

*Impact on transition*

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank loans and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

**Financial impact at 1 January 2019**

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	<b>Increase/(decrease)</b> <i>HK\$'000</i>
<b>Assets</b>	
Increase in right-of-use assets	274,031
Decrease in prepaid land lease payments	(50,925)
Decrease in prepayments, other receivables and other assets	<u>(2,623)</u>
Increase in total assets	<u>220,483</u>
<b>Liabilities</b>	
Increase in lease liabilities	<u>220,483</u>
The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:	
	<i>HK\$'000</i>
<b>Operating lease commitments as at 31 December 2018</b>	285,022
Weighted average incremental borrowing rate as at 1 January 2019	<u>1.75% to 5.30%</u>
Discounted operating lease commitments as at 1 January 2019	253,054
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(3,977)
Commitments not relating to underlying assets under IFRS 16	(28,580)
Commitments relating to leases of low-value assets	<u>(14)</u>
<b>Lease liabilities as at 1 January 2019</b>	<u>220,483</u>

- (b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group does not have any long-term interests in associates and joint ventures. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.
- (c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group’s tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy would be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of 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 resource allocation and performance assessment. Segment performance is evaluated based on reportable segment revenue.

**Year ended 31 December 2019**

	<b>Strollers and accessories</b> (HK\$'000)	<b>Car seats and accessories</b> (HK\$'000)	<b>Non-durable products</b> (HK\$'000)	<b>Others</b> (HK\$'000)	<b>Consolidated</b> (HK\$'000)
<b>Segment revenue</b>					
<b>Sales to external customers</b>	2,935,935	2,828,966	1,599,413	1,412,828	8,777,142
<b>Segment results</b>	1,333,265	1,247,033	763,044	437,316	3,780,658
<i>Reconciliation:</i>					
Other income and gains					74,116
Corporate and other unallocated expenses					(3,445,295)
Other expenses					(19,544)
Finance income					4,543
Finance costs					(141,856)
Share of profits and losses of joint ventures					339
Share of profits and losses of an associate					(131)
<b>Profit before tax</b>					252,830
<b>Other segment information:</b>					
Impairment losses recognised in the statement of profit or loss, net	6,992	15,580	631	684	23,887
Depreciation and amortisation	154,963	146,299	53,254	57,208	411,724

**Year ended 31 December 2018**

	<b>Strollers and accessories</b> (HK\$'000)	<b>Car seats and accessories</b> (HK\$'000)	<b>Non-durable products</b> (HK\$'000)	<b>Others</b> (HK\$'000)	<b>Consolidated</b> (HK\$'000)
<b>Segment revenue</b>					
<b>Sales to external customers</b>	2,743,317	2,720,232	1,574,715	1,590,851	8,629,115
<b>Segment results</b>	1,206,707	1,244,668	763,943	446,015	3,661,333
<i>Reconciliation:</i>					
Other income and gains					98,303
Corporate and other unallocated expenses					(3,416,008)
Other expenses					(16,803)
Finance income					3,867
Finance costs					(123,576)
Share of profits and losses of joint ventures					407
<b>Profit before tax</b>					207,523
<b>Other segment information:</b>					
Impairment losses recognised in the statement of profit or loss	5,856	6,444	639	3,134	16,073
Depreciation and amortisation	108,984	96,726	35,033	49,810	290,553

## Geographical information

### (a) Revenue from external customers

	<b>European market</b> <i>(HK\$'000)</i>	<b>North America market</b> <i>(HK\$'000)</i>	<b>Mainland China market</b> <i>(HK\$'000)</i>	<b>Other overseas markets</b> <i>(HK\$'000)</i>	<b>Total</b> <i>(HK\$'000)</i>
<b>Year ended 31 December 2019</b>					
<b>Segment revenue:</b>					
Sales to external customers	<u>2,374,257</u>	<u>2,866,112</u>	<u>3,106,392</u>	<u>430,381</u>	<u>8,777,142</u>
<b>Year ended 31 December 2018</b>					
<b>Segment revenue:</b>					
Sales to external customers	<u>2,171,256</u>	<u>2,720,492</u>	<u>3,142,165</u>	<u>595,202</u>	<u>8,629,115</u>

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

### (b) Non-current assets

	<b>2019</b> <i>(HK\$'000)</i>	<b>2018</b> <i>(HK\$'000)</i>
Mainland China	<b>4,164,959</b>	4,156,043
North America	<b>1,057,290</b>	1,015,832
Europe	<u><b>956,475</b></u>	<u>880,694</u>
	<u><b>6,178,724</b></u>	<u>6,052,569</u>

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 investments in an associate.

## Information about a major customer

Revenue of approximately HK\$862,681,000 (2018: HK\$994,197,000) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

#### 4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019 (HK\$'000)	2018 (HK\$'000)
<i>Revenue from contracts with customers</i>		
Sale of goods	8,751,553	8,612,735
Rendering of testing services	<u>25,589</u>	<u>16,380</u>
	<u>8,777,142</u>	<u>8,629,115</u>

#### Revenue from contracts with customers

##### (i) Disaggregated revenue information

#### For the year ended 31 December 2019

Segments	Strollers and accessories <i>HK\$'000</i>	Car seats and accessories <i>HK\$'000</i>	Non- durable products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Type of goods or services</b>					
Sale of goods	2,935,935	2,828,966	1,599,413	1,387,239	8,751,553
Rendering of testing services	<u>–</u>	<u>–</u>	<u>–</u>	<u>25,589</u>	<u>25,589</u>
Total revenue from contracts with customers	<u>2,935,935</u>	<u>2,828,966</u>	<u>1,599,413</u>	<u>1,412,828</u>	<u>8,777,142</u>
<b>Timing of revenue recognition</b>					
Goods transferred at a point in time	2,935,935	2,828,966	1,599,413	1,387,239	8,751,553
Services transferred at a point in time	<u>–</u>	<u>–</u>	<u>–</u>	<u>25,589</u>	<u>25,589</u>
Total revenue from contracts with customers	<u>2,935,935</u>	<u>2,828,966</u>	<u>1,599,413</u>	<u>1,412,828</u>	<u>8,777,142</u>
<b>Revenue from contracts with customers</b>					
External customers	<u>2,935,935</u>	<u>2,828,966</u>	<u>1,599,413</u>	<u>1,412,828</u>	<u>8,777,142</u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	<b>2019</b> <i>HK\$'000</i>	<b>2018</b> <i>HK\$'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	<b>93,746</b>	149,009
Rendering of testing services	<u>–</u>	<u>42</u>
	<b><u>93,746</u></b>	<b><u>149,051</u></b>

(ii) *Performance obligations*

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of goods and payment is generally due with 90 days from delivery.

Rendering of testing services

The performance obligation is satisfied upon completion of service and short-term advances are normally required before rendering the services.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at 31 December 2019 are as follows:

	<b>2019</b> <i>HK\$'000</i>	<b>2018</b> <i>HK\$'000</i>
Amounts expected to be recognised as revenue		
Within one year	<b><u>135,885</u></b>	<b><u>108,235</u></b>

All the remaining performance obligations are expected to be recognised within one year.

	2019 (HK\$'000)	2018 (HK\$'000)
Other income and gains:		
Government grants ( <i>note (a)</i> )	62,109	75,688
Gain on sale of materials	–	9,320
Gain on wealth investment products ( <i>note (b)</i> )	2,853	407
Compensation income ( <i>note (c)</i> )	3,964	7,137
Foreign exchange differences, net	–	611
Fair value (losses)/gains, net		
Cash flow hedges (transfer from equity)	–	(723)
Gains on call/put options over non-controlling interests	3,436	–
Derivative instruments – transactions not qualifying as hedges	–	3,680
Others	1,754	2,183
Total	<u>74,116</u>	<u>98,303</u>

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

*Note (b):* The amount represents the gain on disposal of wealth investment products.

*Note (c):* The amount represents the compensation received from customers as a result of cancellation of orders and suppliers as a result of defective products, early payment or shipment delay in the normal course of business.

## 5. FINANCE INCOME

	2019 (HK\$'000)	2018 (HK\$'000)
Interest income on bank deposits	<u>4,543</u>	<u>3,867</u>

## 6. FINANCE COSTS

	2019 (HK\$'000)	2018 (HK\$'000)
Interest on bank loans, overdrafts and other loans	130,323	123,576
Interest on lease liabilities	<u>11,533</u>	<u>–</u>
	<u>141,856</u>	<u>123,576</u>

## 7. PROFIT BEFORE TAX

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

	2019 (HK\$'000)	2018 (HK\$'000)
Cost of inventories sold	4,986,650	4,960,648
Cost of services provided	9,834	7,134
Depreciation of property, plant and equipment	266,015	234,739
Depreciation of right-of-use assets (2018: amortisation of land lease payments)	95,236	2,142
Amortisation of intangible assets	50,473	53,672
Lease payments not included in the measurement of lease liabilities	60,465	–
Research and development costs (“R&D”)	345,649	366,258
Lease payments under operating leases in respect of properties	–	149,318
Auditors' remuneration	9,788	9,823
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	1,623,155	1,666,617
Pension scheme contributions	96,815	99,785
Pension scheme costs (defined benefit plans) (including administrative expense)	1,340	2,631
Share option expense	44,660	34,239
	<u>1,765,970</u>	<u>1,803,272</u>
Net foreign exchange loss/(gain)	9	(611)
Impairment of trade receivables	10,119	22,515
Write-down/(reversal) of inventories	13,768	(6,442)
Product warranties and liabilities	38,601	37,368
Fair value losses, net:		
Cash flow hedges (transfer from equity)	323	723
Derivative instruments – transactions not qualifying as hedges	–	(3,680)
Loss on disposal of items of property, plant and equipment	9,462	12,718
Bank interest income	(4,543)	(3,867)

## 8. INCOME TAX

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

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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 (2018: HK\$2,000,000) of assessable profits of this subsidiary is 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 5% to 9.99% 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%.

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, one of the Group's subsidiaries, Goodbaby Child Products Co., Ltd. ("GCPC") is qualified as a "High and New Technology Enterprise" and is entitled to a preferential tax rate of 15% from 2017 to 2019.

The major components of income tax (credit)/expense of the Group are as follows:

	<b>2019</b> <i>(HK\$'000)</i>	2018 <i>(HK\$'000)</i>
Current – income tax		
Charge for the year	<b>48,207</b>	87,065
Deferred income tax	<b>2,055</b>	(46,373)
	<u>50,262</u>	<u>40,692</u>
Income tax expense reported in the statement of profit or loss	<b>50,262</b>	40,692

A reconciliation of the tax expense applicable to profit before tax at the statutory rates to the tax expense at the effective tax rates for the year is as follows:

	<b>2019</b> <i>(HK\$'000)</i>	2018 <i>(HK\$'000)</i>
Profit before tax	<b>252,830</b>	207,523
Expected income tax based on different rates applicable to profits in the countries covered	<b>56,360</b>	56,921
Effect of tax losses not recognised	–	4,651
Temporary difference for which deferred tax assets have not been recognised	–	250
Recognition of deferred tax assets related to previously unrecognised deductible temporary differences and tax losses	<b>(4,901)</b>	(5,930)
Tax credit arising from additional deduction of R&D expenditures of PRC subsidiaries	<b>(14,710)</b>	(25,630)
Tax effect on non-taxable income	<b>(670)</b>	(7,819)
Tax effect on non-deductible expenses	<b>14,183</b>	18,249
	<u>50,262</u>	<u>40,692</u>
Income tax expense	<b>50,262</b>	40,692

## 9. DIVIDENDS

The Board did not recommend the payment of any dividend for the years ended 31 December 2019 and 2018.

## 10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,668,023,166 in issue during the year (2018: 1,667,513,287).

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2019.

The calculation of earnings per share is based on:

	<b>2019</b> <i>(HK\$'000)</i>	2018 <i>(HK\$'000)</i>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>202,194</u>	<u>163,764</u>
	<b>Number of shares</b>	
	<b>2019</b>	2018
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b>1,668,023,166</b>	1,667,513,287
Effect of dilution – weighted average number of ordinary shares: Share options	<u>–*</u>	<u>2,273,145</u>
Total	<u><b>1,668,023,166</b></u>	<u>1,669,786,432</u>

\* No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2019 in respect of a dilution as the exercise prices of the Company's outstanding share options were higher than the average market prices for the Company's shares during the current year.

## 11. INVENTORIES

	2019 (HK\$'000)	2018 (HK\$'000)
Raw materials	330,609	377,660
Work in progress	47,840	59,007
Finished goods	1,576,022	1,507,310
	<u>1,954,471</u>	<u>1,943,977</u>

## 12. TRADE AND NOTES RECEIVABLES

	2019 (HK\$'000)	2018 (HK\$'000)
Trade receivables	1,100,028	1,130,128
Notes receivable	3,770	4,443
	<u>1,103,798</u>	<u>1,134,571</u>
Impairment of the trade receivables	(28,164)	(37,531)
	<u>1,075,634</u>	<u>1,097,040</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 minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The Group's notes receivable were all aged within six months and were neither past due nor impaired.

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

	2019 (HK\$'000)	2018 (HK\$'000)
Within 3 months	1,003,174	1,025,437
3 to 6 months	45,694	41,173
6 months to 1 year	12,296	4,487
Over 1 year	10,700	21,500
	<u>1,071,864</u>	<u>1,092,597</u>



The Group holds the following foreign exchange forward contracts:

	Maturity				1 to 2 years	Total
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months		
As at 31 December 2019						
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	276,370	76,524	34,150	57,043	–	444,087
Average forward rate (US\$/RMB)	7.0220	7.0844	7.0537	7.0663	–	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	79,699	–	–	–	–	79,699
Average forward rate (EUR/RMB)	8.0480	–	–	–	–	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	35,141	–	–	–	–	35,141
Average forward rate (PLN/EUR)	0.2319	–	–	–	–	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	25,260	26,180	29,349	29,555	8,079	118,423
Average forward rate (GBP/EUR)	1.1352	1.1486	1.1427	1.1432	1.1391	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	17,928	6,179	–	–	–	24,107
Average forward rate (JPY/EUR)	0.0080	0.0082	–	–	–	

The impacts of the hedging instruments on the statement of financial position are as follows:

	Notional amounts (HK\$'000)	Carrying amounts (HK\$'000)	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year (HK\$'000)
<b>As at 31 December 2019</b>				
Foreign currency forward contracts	523,786	6,334	Derivative financial instruments (assets)	6,334
Foreign currency forward contracts	177,671	(4,571)	Derivative financial instruments (liabilities)	(4,571)

The impacts of the hedged items on the statement of financial position are as follows:

	<b>Change in fair value used for measuring hedge ineffectiveness for the year (HK\$'000)</b>	<b>Hedging reserve (HK\$'000)</b>
<b>As at 31 December 2019</b>		
Highly probable forecast sales	<u>2,134</u>	<u>(371)</u>

The effects of the cash flow hedge on the statement of profit or loss and the statement of comprehensive income are as follows:

	Total hedging gains/(losses) recognised in other comprehensive income			Line item in the statement of profit or loss	Amounts reclassified from other comprehensive income to profit or loss			Line item (gross amount) in the statement of profit or loss
	Gross				Gross			
	amounts (HK\$'000)	Tax effects (HK\$'000)	Total (HK\$'000)		amounts (HK\$'000)	Tax effects (HK\$'000)	Total (HK\$'000)	
<b>As at 31 December 2019</b>								
Highly probable forecast sales	3,794	(589)	3,205	Other income and gains	(2,341)	371	(1,970)	Revenue

#### 14. 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:

	<b>2019 (HK\$'000)</b>	2018 (HK\$'000)
Within 3 months	<b>1,125,977</b>	1,269,572
3 to 12 months	<b>189,929</b>	160,124
1 to 2 years	<b>5,839</b>	8,301
2 to 3 years	<b>2,051</b>	1,265
Over 3 years	<b>566</b>	112
	<u><b>1,324,362</b></u>	<u>1,439,374</u>

The trade and bills payables are non-interest-bearing and normally settled on terms of 60 to 90 days.

## 15. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

		As at 31 December 2019		As at 31 December 2018	
		Maturity	HK\$'000	Maturity	HK\$'000
Current					
Bank overdrafts – secured	Note (a)	2020	293,351	2019	155,693
Bank overdrafts – unsecured	Note (a)	2020	3,020		–
Current portion of long-term bank loans – secured	Note (b)	2020	256,320	2019	223,654
Bank borrowings – secured	Note (b)	2020	338,283	2019	450,458
Promissory note	Note (c)	2020	1,246	2019	1,252
Bank borrowings – unsecured			–	2019	56,405
			<b>892,220</b>		<b>887,462</b>
Non-current					
Bank borrowings – secured	Note (b)	2021-2023	1,860,903	2020-2022	1,888,475
Promissory note	Note (c)	2021-2022	623	2021	1,253
			<b>1,861,526</b>		<b>1,889,728</b>
Total			<b>2,753,746</b>		<b>2,777,190</b>

*Note (a):* The bank overdraft facilities amounted to HK\$395,602,000, of which HK\$296,371,000 had been utilised as at the end of the reporting period. The bank overdraft facilities are revolving facilities with no termination date.

*Note (b):* As at 31 December 2019, certain of the Group's bank loans are secured by:

- (i) a standby letter of credit from certain banks issued by a subsidiary of the Group;
- (ii) the guarantee from the Company; and
- (iii) certain machinery amounting to HK\$17,346,000.

As at 31 December 2018, certain of the Group's bank loans are secured by:

- (i) the pledge of shares of certain Group's subsidiaries;
- (ii) a standby letter of credit from the Bank of China Suzhou branch issued by a subsidiary of the Group; and
- (iii) the guarantee from the Company.

*Note (c):* The promissory note was issued by the US government authority.

Note (d): The effective interest rates of the bank loans and other borrowings range from 0.80% to 6% (2018: 0.60% to 6%).

	2019 (HK\$'000)	Group 2018 (HK\$'000)
<b>Analysed into:</b>		
Bank loans and overdrafts repayable:		
Within one year	892,220	887,462
In the second year	1,306,738	489,818
In the third to fifth years, inclusive	554,788	1,399,910
	<u>2,753,746</u>	<u>2,777,190</u>

## 16. SHARE OPTION SCHEME

The Company operates a share option scheme (the “**Scheme**”) for the purposes of motivating the eligible participants to optimise their performance efficiency for the benefit of the Group; and attracting and retaining or otherwise maintaining on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group. Eligible participants of the Scheme include full-time or part-time employees, executives or officers of the Company or any of its subsidiaries, any directors (including non-executive and independent non-executive directors) of the Company or any of its subsidiaries and advisers, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the board will contribute or have contributed to the Company or any of its subsidiaries as described in the Scheme. The Scheme became effective on 5 November 2010 and, unless otherwise cancelled or amended, remains in force for 10 years from that date.

The maximum number of share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at 28 May 2018. The maximum number of shares issuable under share options to each eligible participant under the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue as at the date on which the share options are granted to the relevant eligible participants. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue on the date of such grant or with an aggregate value (based on the closing price of the Company’s shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period determined by the directors and ends on a date which shall not be later than ten years from the date upon which the share options are deemed to be granted and accepted.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company’s shares on the date of offer of the share options; (ii) the average closing price of the Company’s shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company’s shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings.

The following share options were outstanding under the Scheme during the year:

	<b>Weighted average exercise price</b> <i>HK\$ per share</i>	<b>Number of options</b> <i>'000</i>
At 1 January 2018	3.665	50,950
Granted during the year	4.600	112,300
Forfeited during the year	4.396	(28,447)
Exercised during the year	3.575	<u>(1,772)</u>
At 31 December 2018 and 1 January 2019	4.299	133,031
Granted during the year	3.750	85,300
Forfeited during the year	3.688	(7,051)
Exercised during the year	–	<u>–</u>
At 31 December 2019	4.087	<u>211,280</u>

No share options were exercised during the year ended 31 December 2019. The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2018 was HK\$5.10 per share.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

## 2019

<b>Number of options</b> <i>'000</i>	<b>Exercise price</b> <i>HK\$ per share</i>	<b>Exercise period</b>
7,594	3.58	29 September 2017 to 28 September 2024
9,092	3.58	29 September 2018 to 28 September 2024
8,393	3.58	29 September 2019 to 28 September 2024
3,667	3.75	7 October 2018 to 6 October 2025
3,667	3.75	7 October 2019 to 6 October 2025
3,667	3.75	7 October 2020 to 6 October 2025
1,000	3.88	28 August 2020 to 27 August 2027
1,000	3.88	28 August 2021 to 27 August 2027
1,000	3.88	28 August 2022 to 27 August 2027
15,460	4.54	27 September 2020 to 27 March 2028
23,190	4.54	27 September 2021 to 27 March 2028
38,650	4.54	27 September 2022 to 27 March 2028
2,040	5.122	28 May 2021 to 27 May 2028
3,060	5.122	28 May 2022 to 27 May 2028
5,100	5.122	28 May 2023 to 27 May 2028
16,940	3.75	23 May 2022 to 22 May 2029
25,410	3.75	23 May 2023 to 22 May 2029
42,350	3.75	23 May 2024 to 22 May 2029
<u>211,280</u>		

**2018**

Number of options '000	Exercise price HK\$ per share	Exercise period
7,594	3.58	29 September 2017 to 28 September 2024
9,260	3.58	29 September 2018 to 28 September 2024
8,560	3.58	29 September 2019 to 28 September 2024
5,039	3.75	7 October 2018 to 6 October 2025
5,039	3.75	7 October 2019 to 6 October 2025
5,039	3.75	7 October 2020 to 6 October 2025
1,000	3.88	28 August 2020 to 27 August 2027
1,000	3.88	28 August 2021 to 27 August 2027
1,000	3.88	28 August 2022 to 27 August 2027
15,760	4.54	27 September 2020 to 27 March 2028
23,640	4.54	27 September 2021 to 27 March 2028
39,400	4.54	27 September 2022 to 27 March 2028
2,140	5.122	28 May 2021 to 27 May 2028
3,210	5.122	28 May 2022 to 27 May 2028
5,350	5.122	28 May 2023 to 27 May 2028
<hr/>		
133,031		

The Group recognised a share option expense of HK\$44,660,000 (2018: HK\$34,239,000) for the year ended 31 December 2019.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	<b>Share options granted on 23 May 2019</b>
Dividend yield (%)	1.50
Spot stock price (HK\$ per share)	1.87
Historical volatility (%)	35.30
Risk-free interest rate (%)	1.58
Expected life of options (year)	10

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

No share options were exercised during the year ended 31 December 2019. The 1,772,000 share options exercised during the year ended 31 December 2018 resulted in the issue of 1,772,000 ordinary shares of the Company and new share capital of HK\$17,720 and share premium and share option reserve of HK\$6,317,280 (before issue expenses).

At the end of the reporting period, the Company had 211,280,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 211,280,000 additional ordinary shares of the Company and additional share capital of HK\$2,112,800, and share premium of HK\$863,487,970 (before issue expenses).

At the date of approval of these financial statements, the Company had 210,313,333 share options outstanding under the Scheme, which represented approximately 12.61% of the Company's shares in issue as at that date.

## 17. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the balance sheet date, the outbreak of the coronavirus disease 2019 (“**COVID-19**”) has inevitably caused certain impact on both the overall global markets and business performance of the Group, mainly due to travel restrictions and other precaution measures imposed by relevant local authorities that resulted in delays in commencement for work production in manufacturing plants, temporary closure for business of suppliers and distributors, and the overall decline in market demand from retail sector.

The Group estimates that the degree of COVID-19 impact will be dependent on the duration of the epidemic and the outcome of various preventive measures undertaken by respective countries across the globe. The Group is closely monitoring the market development and continuously evaluating the global impact of COVID-19 situation on the Group's operational and financial performance.

Given the dynamic circumstances and uncertainties across the global markets to be recovered from the outbreak of COVID-19, the Group's 2020 financial performance would inevitably be affected by the COVID-19 situation, and the overall financial impact, which will be reflected in the Group's 2020 interim and annual financial statements, could not be reasonably estimated at this stage.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

We recorded growth in revenue and strong growth in our operating profit for the year ended 31 December 2019 (the “**Period**”). Our revenue for the Period increased by 1.7% to approximately HK\$8,777.1 million from approximately HK\$8,629.1 million for the corresponding period in 2018. During the Period, foreign exchange rate fluctuations impacted the overall revenue growth. On a constant currency basis, our revenue for the Period recorded a 4.9% increase compared to the corresponding period in 2018. Our reported gross profit increased by 3.3% to approximately HK\$3,780.6 million for the Period from approximately HK\$3,661.3 million for the corresponding period in 2018. Our reported operating profit increased by 19.3% to approximately HK\$389.9 million from approximately HK\$326.8 million for the corresponding period in 2018 and on a non-GAAP basis, our operating profit increased by 9.4% to approximately HK\$473.0 million for the Period from approximately HK\$432.3 million for the corresponding period in 2018.

Our revenue performance is attributable to the strong growth from Cybex, a return to overall growth in the Period for gb and the stable performance of Evenflo, offset by decreases in the Group's tactical brands and retailer's private label business resulting from the Group's prioritization towards its more profitable core Strategic brands.

During the Period, the Group's core Strategic brands recorded an overall 4.9% growth in revenue (8.5% on a constant currency basis) from the revenue of the corresponding period in 2018. Due to the Group's continued focused brand strategy, our core Strategic brands represent approximately 81.3% of the total consolidated revenues for the Period compared to approximately 78.8% for the corresponding period in 2018.

Summary of the Group's core Strategic brands revenue:

For the year ended 31 December						
(HK\$ million)	2019		2018		Change (%)	Change on a constant currency basis (%)
	Amount	% of Revenue	Amount	% of Revenue	Change (%)	Change on a constant currency basis (%)
<b>Group Total Revenue</b>	\$8,777.1		\$8,629.1		1.7%	4.9%
<b>Core Strategic Brands Revenue</b>	\$7,131.7	81.3%	\$6,797.5	78.8%	4.9%	8.5%
Cybox	2,457.5	28.0%	2,042.5	23.7%	20.3%	25.9%
gb	2,834.7	32.3%	2,928.6	33.9%	-3.2%	1.1%
Evenflo	1,839.5	21.0%	1,826.4	21.2%	0.7%	1.0%

## **EXECUTIVE SUMMARY**

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

- Cybox** brand recorded a significant increase in revenue by 20.3% (25.9% on a constant currency basis) in the Period to approximately HK\$2,457.5 million from approximately HK\$2,042.5 million for the corresponding period in 2018. This historic record in revenue was directly attributable to the continued strong brand performance, driven by over 80 new and innovative product introductions and enhanced logistics capabilities in EMEA. The revenue growth was generated from increased sales in both car seats and wheeled goods in EMEA and key regional markets outside EMEA. In EMEA, Cybox recorded very strong revenue growth of 22.4% (28.0% on a constant currency basis) in the Period to approximately HK\$2,016.2 million from approximately HK\$1,647.7 million for the corresponding period in 2018. In markets outside EMEA, Cybox recorded strong growth of 11.8% (17.0% on a constant currency basis) in the Period to approximately HK\$441.3 million from approximately HK\$394.8 million for the corresponding period in 2018.

During the Period, Cybox reinforced its global leading position as the premium “technical-lifestyle” brand through various activities, such as global product launch events in New York City, Shanghai and Berlin; continued design collaborations with global leading brands and personalities; the introduction of a new crash facility in Germany to reinforce our child safety competence; and the opening of Flagship Stores in Asia and Side by Side Stores in key European cities to expand our offline presence. These initiatives have continued to establish the foundation for the brand's sustainable rapid growth in the future. Cybox continued to receive awards from design organizations (e.g. 2 red dot awards), independent European consumer testing organizations (e.g. 2 “Best in Class” test awards from ADAC) and the Product Safety Award, a new initiative by the European Commission.

- **gb** brand recorded full year growth on a constant currency basis directly attributable to the performance turnaround achieved in the key China market resulting from the implementation of early 2019 initiatives and positive momentum realized therefrom in the second half of 2019. On a global basis, gb brand recorded a revenue decrease of 3.2% (increase of 1.1% on a constant currency basis) in the Period to approximately HK\$2,834.7 million from approximately HK\$2,928.6 million for the corresponding period in 2018.

During the Period, gb brand in the China market achieved revenue growth of 3.7% on a constant currency basis attributable to the sustained stable growth in non-durables during the Period and the turnaround achieved in durables in the second half of 2019, resulting in full year growth in the durable segment of 0.2% on a constant currency basis comparing to the corresponding period in 2018. The growth in durables was fueled by successful introductions of new wheeled goods products in the second half of 2019. Non-durables revenue recorded growth of approximately 6.0% on a constant currency basis which was mainly attributable to growth of apparel and home textiles. gb continued to execute strong results in all its owned online and offline retail channels. During the year, gb introduced its new retail store concepts, along with franchised gb retail in lower tier cities, which are supported by our cloud retail system, providing an overall platform for both wholesalers and consumers to have a deeper engagement with gb. These new streamlined Flagship retail store concepts, creative design partnerships with leading international design institutes, live streaming platforms have all contributed to the performance turnaround as gb brand rapidly increased its fan community members.

gb brand's revenue outside the China market approximated HK\$234.2 million in the Period as compared to approximately HK\$307.2 million in the corresponding period of 2018. This decrease was a direct result of prioritization of the key China market to ensure the brand's stabilization.

- **Evenflo** brand (predominantly a North American brand) rebounded from a weak revenue performance in early 2019 caused by challenging political and retail environments in the United States, to achieve overall growth in the Period of 0.7% (1.0% on a constant currency basis) to approximately HK\$1,839.5 million from approximately HK\$1,826.4 million for the corresponding period in 2018. While certain of the aforementioned challenges continue to exist, Evenflo's performance rebounded in the second half of 2019, which was attributed to new product launches and listings with major retailers and improved infrastructure related to the headquarters relocation to Boston.

During the Period, our Blue Chip business recorded a strong recovery in the second half of 2019 from the first half of 2019, as anticipated, to record only an overall slight decrease of 1.9% (decrease of 0.6% on a constant currency basis) in revenue to approximately HK\$1,008.6 million in the Period as compared to approximately HK\$1,028.1 million in the corresponding period in 2018. Our relationships with key Blue Chip customers remain strong and we are continually recognized for the outstanding quality, value, supply chain and customer service metrics we achieve for this important part of our business.

During the Period, the Group's revenue from other business units including the Group's tactical brands and retailer's private label business approximated HK\$636.8 million as compared to approximately HK\$803.5 million in the corresponding period of 2018. This approximate 20.7% decrease (decrease of 18.4% on a constant currency basis) continues to be directly impacted by the Group's strategy to concentrate on profitable business and continue full focus on the development of its core Strategic brands.

## **OUTLOOK**

### **COVID-19 Update**

Our business performance will inevitably be impacted by the global outbreak of COVID-19. The spread of COVID-19 has had a direct impact on both overall global markets and the Group's business performance during late January 2020 to date, with the most acute impact occurring in our China market.

In the China market, prior to the outbreak of COVID-19 in January 2020, our commercial operations were generating strong growth in revenue performance. However, due to the COVID-19 outbreak, our offline retail operations temporarily suspended business in late January 2020. Consequently, our revenues from late January through February significantly declined due to the offline store shutdowns. During this same period, our strong online foundation and the digital transformation implemented in 2019 promoted sales and achieved a partial offsetting impact to the offline revenue decline. Our China market revenue decline in March 2020 is narrowing quickly and we expect only single-digit percentage revenue decline compared with March 2019 due primarily to the strong growth in online revenues and the ramp-up in offline revenues. We recently began to progressively reopen our offline stores and anticipate more than 80% will be reopened by the end of March with the expectation that the recovery in store traffic will be gradual.

As of late March, the impact of COVID-19 is in the early stage for our commercial operations outside China. Cybex revenue in Q1 2020 is expected to remain stable as it has been moderately impacted by supply chain interruptions in February and March. Additionally, Cybex's revenue performance in Asian regions is similarly impacted as the China market, which will be offset by continued strong growth in EMEA. Cybex's balanced distribution model will ensure online access to the full product portfolio as consumers likely shift to online shopping. Evenflo, by leveraging its North American manufacturing locations, has experienced minimal supply chain impact to date and resulting revenue performance will also be stable in Q1 2020. Our Blue Chip revenues in January and February were stable while March will be impacted by the February shutdown of our China factories. We are not providing any further outlook guidance given that our key markets outside China are in the early stage of the COVID-19 outbreak. We anticipate an evolution similar to China; however the situation is extremely volatile and dynamic. Our businesses have well developed online distribution footprints to mitigate probable offline revenue declines.

Our manufacturing facilities in China have progressively reopened since mid February and are expected to reach near capacity by the end of March. We do not expect any future material production shortages. Our North American based factories are taking all necessary precautions to limit the exposure to COVID-19.

The Group estimates that given the current assessment of the China market and the key global markets outside China, the financial performance of the Group will inevitably be affected by the COVID-19 situation in the first half of 2020. Any further significant or sustained global spread of COVID-19 may impact our future global commercial operations. Our senior leadership is closely monitoring the development of the COVID-19 situation in both China and across the global markets in which we operate and we are already taking precautionary and proactive measures to mitigate our overall exposure. At the same time, we believe our strong and comprehensive foundation will enable us to turn the crisis into opportunities to increase our market share and to enhance our leading position in the industry. The strength of our foundation draws upon 1) the diversification of our regional markets that are served by our core Strategic brands with a leading presence in their respective mother markets; 2) our one-dragon vertical integration model leveraging our regional manufacturing facilities that enable quicker reaction to market dynamics; 3) our omni-channel setup and leading direct to consumer and digital platforms to ensure we are always easily accessible to consumers as their behavior continues its rapid evolution; 4) our diversified product portfolio in both durables and non-durables and 5) most importantly our entrepreneurial culture to drive fast changes to adapt to market changes.

### **Mid- to Long-term Outlook**

Notwithstanding the inevitable impact from COVID-19, we are very encouraged by our business development and the strength of our business platform. We remain confident in our overall strategy and returning back to growth after the world recovers from the COVID-19 situation. We will continue to execute our focused strategy in our core Strategic brands of Cybex, gb and Evenflo and the development of our Blue Chip business.

Our core Strategic brands are celebrated by consumers across the globe. With a rapidly increasing fan base, we will continue to drive towards deeper engagement with all our fans by continuing to maintain and enhance our brand images, introduce new product innovations through relevant online and offline channels that delight our consumers. Global demand for Cybex branded products will continue its strong growth across all key geographic regions supported by its current product portfolio, new product launches, new category extensions, introduction of Cybex brand flagship stores in key global cities, strengthened supply chain capabilities and expansion of national distribution platforms in new geographic territories. gb brand's turnaround performance in 2019 and new initiatives launched in 2019 established the foundation for future growth in revenue and profitability. We will continue to introduce new durables and non-durables product innovations, introduce and upgrade our new generation retail store concepts working in concert with our cloud retail system to provide deeper engagement with both consumers and wholesalers. We will also expand our distribution and brand footprint, through franchising, into lower tier cities in China. Evenflo has rebounded from difficult market conditions in early 2019 and recorded growth since mid 2019 resulting from new product launches and new awards of business from major retailers as the brand is being recognized for its commitment to overall brand enhancement and product innovation. 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 to ensure 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 of our vision of leading the global juvenile eco-system and sustained profitable growth.

## FINANCIAL REVIEW

### Revenue

For the Period, the total revenue of the Group increased by 1.7% to approximately HK\$8,777.1 million from approximately HK\$8,629.1 million for the corresponding period in 2018. During the Period, foreign exchange rate fluctuations impacted the overall revenue growth. On a constant currency basis, our revenue for the Period recorded a 4.9% increase compared to the corresponding period in 2018.

The table below sets out the revenue by business format for the periods indicated.

### Revenue

(HK\$ million)	For the year ended 31 December				Change (%)	Change on a constant currency basis (%)
	2019		2018			
	Revenue	% of revenue	Revenue	% of revenue		
Group's own brand and retailer private label businesses	<b>7,768.5</b>	<b>88.5</b>	7,601.0	88.1	2.2%	5.7%
– APAC	<b>3,495.5</b>	<b>39.8</b>	3,642.3	42.2	–4.0%	0.1%
– EMEA	<b>2,328.2</b>	<b>26.5</b>	2,053.9	23.8	13.4%	18.5%
– Americas	<b>1,944.8</b>	<b>22.2</b>	1,904.8	22.1	2.1%	2.7%
Blue Chip business	<b>1,008.6</b>	<b>11.5</b>	1,028.1	11.9	–1.9%	–0.6%
Total	<b>8,777.1</b>	<b>100.0</b>	8,629.1	100.0	1.7%	4.9%

The 2.2% growth (5.7% growth on a constant currency basis) of the Group's own brand and retailer private label businesses were attributable to the strong performance of our core Strategic brand Cybex and the stabilization of revenues from both brands gb and Evenflo, which was partially offset by the decrease in the Group's tactical brands and retailer's private label business (for more information about performances by brand, please refer to Executive Summary of this Management Discussion and Analysis section).

In region APAC, we recorded revenue from China market of approximately HK\$3,106.4 million for the Period against approximately HK\$3,142.2 million for the corresponding period in 2018, a decrease of 1.1% (an increase of 2.9% on a constant currency basis). The slight increase in revenue on a constant currency basis was mainly attributable to revenue growth from our core Strategic brand gb partially offset by revenue decrease from brand Happy Dino. The revenue from markets outside China decreased to approximately HK\$389.1 million for the Period from approximately HK\$500.1 million for the corresponding period in 2018, which was mainly due to the decrease in revenue from our toy segment brand Rollplay.

In region EMEA, we recorded revenue of approximately HK\$2,328.2 million for the Period, an increase of 13.4% (18.5% on a constant currency basis) from approximately HK\$2,053.9 million for the corresponding period in 2018. The significant growth in region EMEA is mainly attributable to the strong performance of our core Strategic brand Cybex and partially offset by performance of brand gb.

In region Americas, we recorded revenue of approximately HK\$1,944.8 million for the Period, an increase of 2.1% (2.7% on a constant currency basis) from approximately HK\$1,904.8 million for the corresponding period in 2018. The increase was mainly attributable to the stabilization of revenue from our core Strategic brand Evenflo and strong growth of revenue from brand Cybex.

Our revenue from Blue Chip business decreased by 1.9% (decrease of 0.6% on a constant currency basis) to HK\$1,008.6 million for the Period as compared to approximately HK\$1,028.1 million for the corresponding period in 2018. These results for 2019 are within management expectations and reflect the continued close working relationship with key customers who value our outstanding manufacturing, research and development, quality, cost competitiveness and overall service capabilities. Our business relationships in this sector are stable and healthy and our overall results are a reflection of customer activities and overall timing.

### **Cost of Sales, Gross Profit and Gross Profit Margin**

Cost of sales increased by 0.6% to approximately HK\$4,996.5 million for the Period from approximately HK\$4,967.8 million for the corresponding period in 2018. Gross profit for the Group increased to approximately HK\$3,780.6 million for the Period from approximately HK\$3,661.3 million for the corresponding period in 2018, and the gross profit margin increased by 0.7 percentage points to 43.1% for the Period from approximately 42.4% for the corresponding period in 2018. The improvement in gross profit margin was mainly attributable to increased revenue contribution from our core Strategic brands with higher gross margin and the continued improvement in cost efficiency.

### **Other Income and Gains**

Other income and gains of the Group decreased by approximately HK\$24.2 million to approximately HK\$74.1 million for the Period as compared to approximately HK\$98.3 million for the corresponding period in 2018, which was mainly attributable to the decrease in government grants together with the decrease of gain on sale of materials.

## **Selling and Distribution Expenses**

The Group's selling and distribution expenses primarily consist of marketing expenses, salaries and transportation costs. The selling and distribution expenses increased by approximately HK\$66.1 million to approximately HK\$2,275.0 million for the Period from approximately HK\$2,208.9 million for the corresponding period in 2018. The increase was mainly attributable to:

- a) the increase in marketing expenses to approximately HK\$498.9 million for the Period from approximately HK\$484.4 million for the corresponding period in 2018, to fuel revenue growth of core Strategic brands;
- b) the increase in warehousing and transportation costs to approximately HK\$452.7 million for the Period from approximately HK\$416.9 million for the corresponding period in 2018, for our own brand business especially for the strong performance in region EMEA;
- c) stable costs in personnel of approximately HK\$608.0 million for the Period, compared to approximately HK\$607.9 million in the corresponding period in 2018; and
- d) stable online and offline store expense of approximately HK\$298.4 million for the Period, compared to approximately HK\$299.8 million for the corresponding period in 2018.

## **Administrative Expenses**

The Group's administrative expenses primarily consist of salaries, research and development costs, professional service expenses, provision for the potential uncollectible receivables and other office expenses. The administrative expenses decreased by approximately HK\$36.8 million to approximately HK\$1,170.3 million for the Period from approximately HK\$1,207.1 million for the corresponding period in 2018. The decrease was mainly due to:

- a) the decrease in personnel cost to approximately HK\$458.4 million for the Period from approximately HK\$472.6 million for the corresponding period in 2018, due to a more integrated and optimized Group organization;
- b) the decrease in the R&D cost to approximately HK\$345.6 million for the Period from approximately HK\$366.3 million for the corresponding period in 2018, due to more efficient R&D expenditures;
- c) the decrease of approximately HK\$12.4 million in provision for the impairment of receivables in the Period comparing with that in the corresponding period of 2018. In year 2018, we made significant provision for potential uncollectible receivables from TRU; and
- d) stable in other administrative expenses.

## **Other Expenses**

Other expenses of the Group increased to approximately HK\$19.5 million for the Period from approximately HK\$16.8 million for the corresponding period in 2018. Other expenses of the Group increased by approximately HK\$2.7 million, which was mainly attributable to the disposal of obsolete scrap materials.

## **Operating Profit**

As a result of the foregoing, the Group's operating profit increased by approximately 19.3%, or HK\$63.1 million, to approximately HK\$389.9 million for the Period from approximately HK\$326.8 million for the corresponding period in 2018.

## **Finance Income**

For the Period, the Group's finance income increased by approximately 15.4%, or HK\$0.6 million, to approximately HK\$4.5 million from approximately HK\$3.9 million for the corresponding period in 2018. 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 14.7%, or HK\$18.2 million, to approximately HK\$141.8 million from approximately HK\$123.6 million for the corresponding period in 2018. The increase for the Period was mainly attributable to the additional interest expenses arising from the lease liabilities recognized as a result of the adoption of IFRS 16 for the Period.

## **Profit Before Tax**

As a result of the foregoing, the profit before tax of the Group increased by 21.8% to approximately HK\$252.8 million for the Period from approximately HK\$207.5 million for the corresponding period in 2018.

## **Income Tax**

The Group's income tax expense was approximately HK\$50.2 million for the Period, increased by 23.3% from approximately HK\$40.7 million for the corresponding period in 2018. The increase in the amount of income tax expense was aligned with the increase of the profit before tax of the Group.

## Profit for the Year

Profit of the Group for the Period increased by 21.5% to approximately HK\$202.6 million from approximately HK\$166.8 million for the corresponding period in 2018.

## Non-GAAP Financial Measures

To supplement the consolidated results of the Group prepared in accordance with IFRS, certain non-GAAP financial measures, including non-GAAP operating profit, non-GAAP operating margin, non-GAAP profit before tax, non-GAAP profit for the year and non-GAAP net margin, have been presented in this announcement. The Company's management believes that the non-GAAP financial measures provide investors with more clear view on the Group's financial results, and with useful supplementary information to assess the performance of the Group's strategic operations by excluding certain impact of certain non-cash items, certain impact of merger and acquisition transactions, certain one-off bad debt provision and operating loss and recognition of deferred tax expenses due to the change of tax law. Nevertheless, the use of these non-GAAP financial measures has limitations as an analytical tool. These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, analysis of the Company's financial performance prepared in accordance with IFRS. In addition, these non-GAAP financial measures may be defined differently from similar terms used by other companies.

The following tables set forth the reconciliations of the Company's non-GAAP financial measures for the years ended 31 December 2019 and 2018 to the nearest measures prepared in accordance with IFRS:

	Year Ended 31 December 2019				
	As reported (HK\$ million)	Adjustments			Non-GAAP (HK\$ million)
Equity-settled share option expenses (HK\$ million)		Net fair value gains on call and put options (a) (HK\$ million)	Amortization of intangible assets and inventory appreciation (b) (HK\$ million)		
Operating profit	389.9	44.6	-3.4	41.9	473.0
Profit before tax	252.8	44.6	-3.4	41.9	335.9
Profit for the year	202.6	44.6	-2.4	31.3	276.1
Operating margin	4.4%				5.4%
Net margin	2.3%				3.1%

Year ended 31 December 2018

	Adjustments					
	As reported (HK\$ million)	Equity-settled share option expenses (HK\$ million)	Net fair value losses on call and put options (a) (HK\$ million)	Amortization of intangible assets and inventory appreciation (b) (HK\$ million)	One-off bad debt provision associated with TRU/BRU (HK\$ million)	Non-GAAP (HK\$ million)
Operating profit	326.8	34.2	0.7	45.7	24.9	432.3
Profit before tax	207.5	34.2	0.7	45.7	24.9	313.0
Profit for the year	166.8	34.2	0.5	34.0	20.3	255.8
Operating margin	3.8%					5.0%
Net margin	1.9%					3.0%

Notes:

- (a) Net fair value gains or losses on call options and put options granted to non-controlling shareholders of certain subsidiaries of the Group.
- (b) Amortization of intangible assets and inventory appreciation arising from acquisitions, net of related deferred tax.

**Working Capital and Financial Resources**

	<b>As at 31 December 2019 (HK\$ million)</b>	As at 31 December 2018 (HK\$ million)
Trade and notes receivables (including trade receivables due from a related party)	<b>1,087.2</b>	1,108.6
Trade and notes payables	<b>1,324.4</b>	1,439.4
Inventories	<b>1,954.5</b>	1,944.0
	<b>Year Ended 31 December 2019</b>	Year ended 31 December 2018
Trade and notes receivables turnover days <sup>(1)</sup>	<b>45</b>	48
Trade and bills payables turnover days <sup>(2)</sup>	<b>100</b>	101
Inventories turnover days <sup>(3)</sup>	<b>140</b>	140

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 bills 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 decrease of trade and note receivables and decrease of trade and notes receivables turnover days were mainly attributable to the tighter control and stronger credit collectability.

The trade and note payables and the trade and notes payables turnover days remain stable compared with the corresponding period in 2018.

The inventories and the inventories turnover days remain stable compared with the corresponding period in 2018.

### **Liquidity and Financial Resources**

As at 31 December 2019, the Group's monetary assets, including cash and cash equivalents, time deposit, pledged time deposits and financial assets designated at fair value through profit or loss, were approximately HK\$1,078.6 million (31 December 2018: approximately HK\$930.4 million).

As at 31 December 2019, the Group's interest-bearing bank loans and other borrowings were approximately HK\$2,753.7 million (31 December 2018: approximately HK\$2,777.2 million), including short-term bank loans and other borrowings of approximately HK\$892.2 million (31 December 2018: approximately HK\$887.5 million) and long-term bank loans and other borrowings with repayment terms ranging from two to four years of approximately HK\$1,861.5 million (31 December 2018: approximately HK\$1,889.7 million).

As a result, as at 31 December 2019, the Group's net debt position was approximately HK\$1,675.1 million (31 December 2018: approximately HK\$1,846.8 million).

### **Contingent Liabilities**

As at 31 December 2019, the Group had no material contingent liabilities (31 December 2018: 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 U.S. dollar (“**US\$**”). The Group's revenue is mainly denominated in US\$, Renminbi (“**RMB**”) and Euro. The Group's procurement and OPEX are mainly denominated in RMB, US\$ and Euro. The net exposures to foreign currency risks of the Group's operating results are mainly the US\$ and Euro revenue against RMB procurement and OPEX. The Group would benefit from the appreciation of US\$ and Euro against RMB but would suffer losses if US\$ or Euro depreciates against RMB. The Group uses forward contracts to eliminate the foreign currency exposures.

## **Pledge of Assets**

As at 31 December 2019, bank deposits of approximately HK\$24.0 million (31 December 2018: Nil) were pledged for business operation. Certain machinery amounting to approximately HK\$17.3 million was pledged to secure bank loan granted to the Group.

## **Gearing Ratio**

As at 31 December 2019, 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 cash and cash equivalents; the amount of adjusted capital is calculated by equity attributable to owner of the parent minus hedging reserve) was approximately 43.2% (31 December 2018: approximately 45.2%), or 44.8% after taking into consideration the impact of IFRS 16).

## **Employees and Remuneration Policy**

As at 31 December 2019, the Group has a total of 11,180 full-time employees (as at 31 December 2018, the Group had a total of 12,397 full-time employees). For the year ended 31 December 2019, costs of employees, excluding Directors' emoluments, amounted to a total of approximately HK\$1,703.6 million (2018: approximately HK\$1,750.5 million). The Group determined the remuneration packages of all employees with reference to individual performance and current market salary scale. 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 ("**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 at 31 December 2018, 133,030,667 share options were outstanding. The Company granted 85,300,000 share options on 23 May 2019. In 2019, 7,050,667 share options had lapsed and none of the share options had been exercised. As at 31 December 2019, there were 211,280,000 outstanding share options.

## **OTHER INFORMATION**

### **Annual General Meeting**

The annual general meeting of the Company (the “AGM”) will be held on 25 May 2020 (Monday). A notice convening the AGM will be published and despatched to the shareholders of the Company in the manner required by Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) in due course.

### **Dividend**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: nil).

### **Book Close Periods**

For the purposes of ascertaining the members’ eligibility to attend and vote at the AGM, the Company’s register of members will be closed during the following period:

- Latest time to lodge transfers documents for registration 4:30 p.m. on 19 May 2020 (Tuesday)
- Closure of register of members 20 May 2020 (Wednesday) to 25 May 2020 (Monday), both days inclusive

To be eligible to attend and vote at the AGM, all duly stamped instruments of transfers, accompanied by the relevant share certificates must be lodged for registration with the Company’s share registrar in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than the latest time as stated above.

### **Corporate Governance**

For the year ended 31 December 2019, the Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices (“CG Code”) as set out in Appendix 14 to the Listing Rules.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended 31 December 2019.

### **Purchase, Sale and Redemption of listed securities**

There was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries during the year ended 31 December 2019.

## **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 year ended 31 December 2019.

## **Audit Committee**

As at the date of this announcement, the audit committee of the Company (the “**Audit Committee**”) consists of Mr. Iain Ferguson Bruce, Mr. Shi Xiaoguang and Ms. Chiang Yun. The chairman of the Audit Committee is Mr. Iain Ferguson Bruce.

The annual results for the year ended 31 December 2019 of the Company have been reviewed by the Audit Committee. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this preliminary announcement have been agreed by the Group's independent auditor, Ernst & Young.

The Audit Committee has also reviewed the accounting policies and practices adopted by the Company and discussed risk management and internal control with senior management members.

## **Appreciation**

The chairman of the Group would like to take this opportunity to thank his fellow Directors for their invaluable advice and guidance, and to each and every one of the staff of the Group for their hard work and loyalty to the Group.

## **Publication of Financial Results and Annual Report**

This annual results announcement is published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.gbinternational.com.hk>). The annual report of the Company for the year ended 31 December 2019 containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and made available for review on the same websites in due course.

Hong Kong, 24 March 2020

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

*As at the date of this announcement, the executive Directors of the Company are Mr. SONG Zhenghuan, Mr. Martin POS, Mr. XIA Xinyue, Mr. LIU Tongyou 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 Mr. Iain Ferguson BRUCE, Mr. SHI Xiaoguang, Ms. CHIANG Yun and Mr. JIN Peng.*