Goodbaby International Holdings Limited
好 孩 子 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1086)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Year-on-year change
	2019	2018	
	(HK$ in millions, unless specified)		
Revenue	**4,434.2**	4,425.7	0.2%
Gross profit	**1,915.1**	1,859.1	3.0%
Operating profit[1]	**247.2**	217.1	13.9%
Non-GAAP[2] operating profit	**289.7**	284.2	1.9%
Profit for the period	**136.3**	134.2	1.6%
Net profit for the period attributable to owners of the parent	**135.8**	132.9	2.2%
EPS (HK$)			
– basic	**0.08**	0.08	
– diluted	**0.08**	0.08	

Notes:

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

2. We adopted non-GAAP financial measures in order to more meaningfully illustrate the financial results of the Group's ordinary business, 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 refer to the section headed "Non-GAAP Financial Measures" of this announcement for details.

The board (the "**Board**") of directors ("**Directors**", each the "**Director**") of Goodbaby International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to present the unaudited consolidated interim results of the Group for the six months ended 30 June 2019 (the "**Period**"), together with the comparative figures for the corresponding period in 2018.

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***(HK$'000)***	*(HK$'000)*
Revenue	*4*	**4,434,224**	4,425,702
Cost of sales		**(2,519,123)**	(2,566,559)
Gross profit		**1,915,101**	1,859,143
Other income and gains	*4*	**36,386**	43,649
Selling and distribution expenses		**(1,141,598)**	(1,061,587)
Administrative expenses		**(550,524)**	(611,748)
Other expenses		**(12,166)**	(12,407)
Operating profit		**247,199**	217,050
Finance income	*5*	**3,829**	1,725
Finance costs	*6*	**(73,706)**	(57,357)
Share of profits or losses of joint ventures		**(207)**	402
Profit before tax	*7*	**177,115**	161,820
Income tax expense	*8*	**(40,851)**	(27,631)
Profit for the period		**136,264**	134,189
Attributable to:			
Owners of the parent		**135,760**	132,940
Non-controlling interests		**504**	1,249
		136,264	134,189
Earnings per share attributable to ordinary equity holders of the parent:	*10*		
Basic			
For profit for the period (HK$)		**0.08**	0.08
Diluted			
For profit for the period (HK$)		**0.08**	0.08

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	(HK$'000)	*(HK$'000)*
Profit for the period	**136,264**	134,189
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	**7,213**	25,794
Reclassification adjustments for losses/(gains) included in the consolidated statement of profit or loss	**1,398**	(17,574)
Income tax effect	**(1,130)**	(2,687)
	7,481	5,533
Exchange differences:		
Exchange differences on translation of foreign operations	**(23,390)**	(81,623)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(15,909)**	(76,090)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Actuarial losses of defined benefit plans	**–**	(1,135)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**–**	(1,135)
Other comprehensive loss for the period, net of tax	**(15,909)**	(77,225)
Total comprehensive income for the period	**120,355**	56,964
Attributable to:		
Owners of the parent	**119,950**	54,275
Non-controlling interests	**405**	2,689
	120,355	56,964

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Notes	**30 June 2019 (Unaudited)** *(HK$'000)*	31 December 2018 (Audited) *(HK$'000)*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,062,373**	1,077,786
Right-of-use assets		**204,925**	–
Prepaid land lease payments		**49,807**	50,925
Goodwill		**2,674,964**	2,682,108
Other intangible assets		**2,229,525**	2,238,039
Investment in joint ventures		**4,371**	5,078
Deferred tax assets		**163,489**	151,589
Other long-term assets		**9,252**	7,999
Total non-current assets		**6,398,706**	6,213,524
CURRENT ASSETS			
Inventories	*11*	**1,809,712**	1,943,977
Trade and notes receivables	*12*	**1,230,720**	1,097,040
Prepayments and other receivables		**429,076**	418,987
Due from a related party		**14,165**	11,571
Derivative financial instruments	*15*	**8,180**	2,987
Cash and cash equivalents		**1,021,462**	926,952
Time deposits		**–**	3,447
Pledged bank deposits		**24,913**	–
Total current assets		**4,538,228**	4,404,961
CURRENT LIABILITIES			
Trade and notes payables	*13*	**1,368,602**	1,439,374
Other payables, advances from customers and accruals		**772,672**	760,566
Interest-bearing bank loans and other borrowing	*14*	**714,117**	887,462
Income tax payable		**48,447**	16,497
Lease liabilities		**44,846**	–
Provisions		**37,060**	37,446
Derivative financial instruments	*15*	**6,629**	1,058
Defined benefit plan liabilities		**703**	705
Dividends payable		**8**	8
Total current liabilities		**2,993,084**	3,143,116
NET CURRENT ASSETS		**1,545,144**	1,261,845
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,943,850**	7,475,369

	Note	30 June 2019 (Unaudited) (HK$'000)	31 December 2018 (Audited) (HK$'000)
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,943,850**	7,475,369
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowing	*14*	**2,060,435**	1,889,728
Provisions		**51,410**	44,984
Lease liabilities		**158,518**	–
Defined benefit plan liabilities		**3,077**	7,281
Other liabilities		**14,184**	13,953
Deferred tax liabilities		**552,023**	556,317
Total non-current liabilities		**2,839,647**	2,512,263
Net assets		**5,104,203**	4,963,106
EQUITY			
Equity attributable to owners of the parent			
Share capital		**16,680**	16,680
Reserves		**5,038,732**	4,898,040
		5,055,412	4,914,720
Non-controlling interests		**48,791**	48,386
Total equity		**5,104,203**	4,963,106

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of Goodbaby International Holdings Limited and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2019 were authorized for issue in accordance with a resolution of directors on 26 August 2019.

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

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. These financial statements are presented in Hong Kong Dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised International Financial Reporting Standards ("**IFRSs**") effective as of 1 January 2019.

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

Other than as explained below regarding the impact of IFRS 16 "Leases", the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below:

(a) Adoption of IFRS 16

IFRS 16 replaces IAS 17 "Leases", IFRIC-Int 4 "Determining whether an Arrangement contains a Lease", SIC-Int 15 "Operating Leases — Incentives" and SIC-Int 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. 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. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

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

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-Int 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC-Int 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.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

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 buildings, plant and machinery, motor vehicles and furniture and fixtures. 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 short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts 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 non-current liabilities or current liabilities.

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:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *HK$'000* (Unaudited)
Assets	
Increase in right-of-use assets	251,686
Decrease in prepayments, other receivables and other assets	(2,623)
Increase in right-of-use assets	249,063
Liabilities	
Increase in lease liabilities	249,063

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	HK$'000 (Unaudited)
Operating lease commitments as at 31 December 2018	285,022
Incremental borrowing rate as at 1 January 2019	1.75% to 5.30%
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 ending on or before 31 December 2019	(3,977)
Commitments relating to leases of low-value assets	(14)
Lease liabilities as at 1 January 2019	249,063

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follows:

	Right-of-use assets					
	Buildings	**Plant and machinery**	**Motor vehicles**	**Furniture and fixtures**	**Subtotal**	**Lease liabilities**
	(HK\$'000)	*(HK\$'000)*	*(HK\$'000)*	*(HK\$'000)*	*(HK\$'000)*	*(HK\$'000)*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
As at 1 January 2019	220,064	3,739	10,197	17,686	251,686	249,063
Additions	6,184	144	4,340	44	10,712	10,712
Adjustments	(5,424)	(533)	–	(16,684)	(22,641)	(22,641)
Depreciation charge	(30,390)	(512)	(2,856)	(174)	(33,932)	–
Interest expense	–	–	–	–	–	4,760
Exchange realignment	(596)	(7)	(91)	(206)	(900)	(905)
Payments	–	–	–	–	–	(37,625)
As at 30 June 2019	189,838	2,831	11,590	666	204,925	203,364

The Group recognised rental expenses from short-term leases of HK$24,760,000, leases of low-value assets of HK$14,000, and variable lease payments not based on index or rate of HK$80,000 (note 7), for the six months ended 30 June 2019.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three 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 and render testing services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment revenue.

Six months ended 30 June 2019

	Strollers and accessories *(HK$'000)* **(Unaudited)**	**Car seats and accessories** *(HK$'000)* **(Unaudited)**	**Non-durable products** *(HK$'000)* **(Unaudited)**	**Others** *(HK$'000)* **(Unaudited)**	**Consolidated** *(HK$'000)* **(Unaudited)**
Segment revenue					
Sales to external customers	**1,433,230**	**1,503,019**	**839,647**	**658,328**	**4,434,224**
Segment results	**629,322**	**694,388**	**419,106**	**172,285**	**1,915,101**
Reconciliation:					
Other income and gains					**36,386**
Corporate and other unallocated expenses					**(1,692,122)**
Other expenses					**(12,166)**
Finance income					**3,829**
Finance costs					**(73,706)**
Share of profits and losses of joint ventures					**(207)**
Profit before tax					**177,115**
Other segment information:					
Impairment losses recognised in the statement of profit or loss	**3,264**	**2,634**	**(153)**	**370**	**6,115**
Depreciation and amortisation	**73,265**	**76,064**	**21,859**	**24,444**	**195,632**

Six months ended 30 June 2018

	Strollers and accessories *(HK$'000)* (Unaudited)	Car seats and accessories *(HK$'000)* (Unaudited)	Non-durable products *(HK$'000)* (Unaudited)	Others *(HK$'000)* (Unaudited)	Consolidated *(HK$'000)* (Unaudited)
Segment revenue					
Sales to external customers	1,379,905	1,473,938	836,427	735,432	4,425,702
Segment results	556,677	687,661	419,797	195,008	1,859,143
Reconciliation:					
Other income and gains					43,649
Corporate and other unallocated expenses					(1,673,335)
Other expenses					(12,407)
Finance income					1,725
Finance costs					(57,357)
Share of profits and losses of joint ventures					402
Profit before tax					161,820
Other segment information:					
Impairment losses recognised in the statement of profit or loss	5,767	6,239	3,518	3,093	18,617
Depreciation and amortisation	65,551	47,550	11,685	24,067	148,853

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	European market *(HK$'000)* (Unaudited)	North America market *(HK$'000)* (Unaudited)	Mainland China market *(HK$'000)* (Unaudited)	Other overseas markets *(HK$'000)* (Unaudited)	Total *(HK$'000)* (Unaudited)
Six months ended 30 June 2019					
Segment revenue:					
Sales to external customers	1,213,928	1,353,427	1,618,307	248,562	4,434,224
Six months ended 30 June 2018					
Segment revenue:					
Sales to external customers	1,121,415	1,358,354	1,709,312	236,621	4,425,702

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

(b) Non-current assets

	2019 ***(HK$'000)*** **(Unaudited)**	2018 *(HK$'000)* (Audited)
Mainland China	**4,229,693**	4,156,043
North America	**1,057,887**	1,015,832
Europe	**939,312**	880,694
	6,226,892	6,052,569

The non-current asset information above is based on the locations of the assets excluding financial instruments and deferred tax assets.

Information about a major customer

During the six months ended 30 June 2019, revenue from sales to a major customer of third party accounting for 10% or more of the total net sales of the Group is HK$446,050,000 (During the six months ended 30 June 2018: HK$497,277,000). The revenue from sales to this customer was derived from sales by the strollers and accessories, car seats and accessories and others segments, including sales to a group of entities which are known to be under common control with this customer.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 30 June 2019 (HK$'000) (Unaudited)	2018 (HK$'000) (Unaudited)
Revenue from contracts with customers		
Sales of goods	**4,423,404**	4,418,809
Rendering of testing services	**10,820**	6,893
	4,434,224	4,425,702

Revenue from contracts with customers

(i) Disaggregated revenue information

For the six months ended 30 June 2019

Segments	**Strollers and accessories** *HK$'000* (Unaudited)	**Car seats and accessories** *HK$'000* (Unaudited)	**Non-durables** *HK$'000* (Unaudited)	**Others** *HK$'000* (Unaudited)	**Total** *HK$'000* (Unaudited)
Type of goods or services					
Sale of goods	**1,433,230**	**1,503,019**	**839,647**	**647,508**	**4,423,404**
Rendering of testing services	**–**	**–**	**–**	**10,820**	**10,820**
Total revenue from contracts with customers	**1,433,230**	**1,503,019**	**839,647**	**658,328**	**4,434,224**
Timing of revenue recognition					
Goods transferred at a point in time	**1,433,230**	**1,503,019**	**839,647**	**647,508**	**4,423,404**
Services transferred over time	**–**	**–**	**–**	**10,820**	**10,820**
Total revenue from contracts with customers	**1,433,230**	**1,503,019**	**839,647**	**658,328**	**4,434,224**
Revenue from contracts with customers					
External customers	**1,433,230**	**1,503,019**	**839,647**	**658,328**	**4,434,224**

For the six months ended 30 June 2018

Segments	Strollers and accessories *HK$'000* (Unaudited)	Car seats and accessories *HK$'000* (Unaudited)	Non-durables *HK$'000* (Unaudited)	Others *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Type of goods or services					
Sale of goods	1,379,905	1,473,938	836,427	728,539	4,418,809
Rendering of testing services	–	–	–	6,893	6,893
Total revenue from contracts with customers	1,379,905	1,473,938	836,427	735,432	4,425,702
Timing of revenue recognition					
Goods transferred at a point in time	1,379,905	1,473,938	836,427	728,539	4,418,809
Services transferred over time	–	–	–	6,893	6,893
Total revenue from contracts with customers	1,379,905	1,473,938	836,427	735,432	4,425,702
Revenue from contracts with customers					
External customers	1,379,905	1,473,938	836,427	735,432	4,425,702

	Six months ended 30 June	
	2019	2018
	(HK$'000)	*(HK$'000)*
	(Unaudited)	(Unaudited)
Other income and gains		
Government grants *(note (a))*	**26,856**	34,063
Compensation income *(note (b))*	**2,767**	2,620
Gain on sale of materials	**–**	101
Service fee income *(note (c))*	**–**	1,799
Gain on wealth investment products *(note (d))*	**1,028**	402
Fair value gains, net		
– Cash flow hedges (transfer from equity)	**178**	–
Others	**5,557**	4,664
Total	**36,386**	43,649

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

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

Note (c): The amount represents the service fee income for information technology services and factory administrative services provided to third parties.

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

5. FINANCE INCOME

	Six months ended 30 June	
	2019	2018
	(HK$'000)	*(HK$'000)*
	(Unaudited)	(Unaudited)
Interest income on bank deposits	**3,829**	1,725

6. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	(HK$'000)	*(HK$'000)*
	(Unaudited)	(Unaudited)
Interest expense on bank loans and borrowings	**68,946**	57,357
Interest expense on lease liabilities	**4,760**	–
	73,706	57,357

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2019	2018
	(HK$'000)	*(HK$'000)*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**2,514,615**	2,563,897
Cost of services provided	**4,508**	2,662
Depreciation of property, plant and equipment	**133,774**	123,311
Depreciation of right-of-use assets	**33,932**	–
Amortisation of intangible assets	**26,877**	24,485
Amortisation of prepaid land lease payments	**1,049**	1,057
Research and development costs	**163,564**	172,034
Lease payments under operating leases in respect of properties	**–**	80,961
Short-term rental expenses	**24,760**	–
Low-value rental expenses	**14**	–
Variable rental expenses	**80**	–
Auditors' remuneration	**4,804**	5,028
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	**824,309**	861,693
Share option expense	**20,742**	10,301
Pension scheme costs (defined benefit plans)	**407**	1,618
Pension scheme contributions	**34,475**	35,462
	879,933	909,074
Net foreign exchange losses	**6,699**	6,730
Fair value losses, net:		
Cash flow hedges (transfer from equity)	**(178)**	–
(Reversal of)/provision for impairment of receivables	**(399)**	28,034
Write-down/ (reversal) of inventories	**6,514**	(9,417)
Product warranties and liabilities	**14,924**	10,208
Loss on disposal of items of property, plant and equipment	**2,753**	3,356
Bank interest income	**(3,829)**	(1,725)

8. INCOME TAX EXPENSE

The Company and its subsidiaries incorporated in the Cayman Islands and Samoa are exempted from taxation.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period.

State income tax and federal income tax of the Group's subsidiaries in the United States have been provided for at rates of state income tax and federal income tax on the estimated assessable profits of the subsidiary during the period. The state income tax rates are from 5% to 9.99% in the respective states where the subsidiary operates, and the federal income tax rate is 21%.

The Group's subsidiary registered in Japan is subject to income tax based on the taxable income at rates ranging from 10% to 25.5% on a progressive basis.

The Group's subsidiaries registered in Germany are subject to income tax based on the taxable income at the rate of 30%.

The Group's subsidiary registered in Denmark is subject to income tax based on the taxable income at the rate of 24.5%.

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**") at the rate of 25% on the taxable income as reported in their PRC statutory accounts adjusted in accordance with the law of the PRC on Enterprise Income Tax (the "**EIT Law**").

Pursuant to relevant tax rules under the EIT Law and with the approval from the relevant tax authorities in the PRC, two of the Group's subsidiaries, Goodbaby Child Products Co., Ltd. ("**GCPC**") and Jiangsu EQO Testing Services Co., Ltd. ("**EQTC**") are qualified as "High and New Technology Enterprises" and are entitled to a preferential tax rate of 15% from 2017 to 2020 and 2016 to 2019 respectively.

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

	Six months ended 30 June	
	2019	2018
	(HK$'000)	*(HK$'000)*
	(Unaudited)	(Unaudited)
Current income tax		
– Charge for the period	**56,590**	51,480
Deferred income tax	**(15,739)**	(23,849)
Income tax expense recognised in the statement of profit or loss	**40,851**	27,631

9. DIVIDENDS

The board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period 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 six months ended 30 June 2019 (six months ended 30 June 2018: 1,666,999,388).

The calculation of diluted earnings per share amounts is based on the profit for the period 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 period, 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 calculations of the basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2019	2018
	(HK$'000)	*(HK$'000)*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the earnings per share calculation	**135,760**	132,940

	Number of shares	
	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**1,668,023,166**	1,666,999,388
Effect of dilution-weighted average number of ordinary shares:		
Share options	**–**	8,012,007
Total	**1,668,023,166**	1,675,011,395

11. INVENTORIES

	As at 30 June 2019 *(HK$'000)* (Unaudited)	As at 31 December 2018 *(HK$'000)* (Audited)
Raw materials	**308,895**	377,660
Work in progress	**56,870**	59,007
Finished goods	**1,443,947**	1,507,310
	1,809,712	1,943,977

12. TRADE AND NOTES RECEIVABLES

	As at 30 June 2019 *(HK$'000)* (Unaudited)	As at 31 December 2018 *(HK$'000)* (Audited)
Trade receivables	**1,260,966**	1,130,128
Notes receivables	**6,482**	4,443
	1,267,448	1,134,571
Impairment for trade receivables	**(36,728)**	(37,531)
	1,230,720	1,097,040

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

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

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

	As at 30 June 2019 *(HK$'000)* **(Unaudited)**	As at 31 December 2018 *(HK$'000)* (Audited)
Within 3 months	**1,162,129**	1,025,437
3 to 6 months	**34,245**	41,173
6 months to 1 year	**12,739**	4,487
Over 1 year	**15,125**	21,500
	1,224,238	1,092,597

13. TRADE AND NOTES PAYABLES

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

	As at 30 June 2019 *(HK$'000)* **(Unaudited)**	As at 31 December 2018 *(HK$'000)* (Audited)
Within 3 months	**1,129,095**	1,269,572
3 to 12 months	**231,388**	160,124
1 to 2 years	**6,582**	8,301
2 to 3 years	**1,346**	1,265
Over 3 years	**191**	112
	1,368,602	1,439,374

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

14. INTEREST–BEARING BANK LOANS AND OTHER BORROWING

		Maturity	As at 30 June 2019 HK$'000 (Unaudited)	Maturity	As at 31 December 2018 HK$'000 (Audited)
Current					
Bank borrowings – secured	*Note (b)*	**2019**	**359,938**	2019	450,458
Bank borrowings – unsecured		**2019**	**528**	2019	56,405
Bank overdraft – secured	*Note (a)*	**2019**	**273,263**	2019	155,693
Bank overdraft – unsecured		**2019**	**13,760**		–
Current portion of long-term bank loans – secured	*Note (b)*	**2020**	**65,378**	2019	223,654
Promissory note	*Note (c)*	**2019**	**1,250**	2019	1,252
			714,117		887,462
Non-current					
Bank borrowings – secured	*Note (b)*	**2020-2023**	**2,059,810**	2020-2022	1,888,475
Promissory note	*Note (c)*	**2020-2021**	**625**	2021	1,253
			2,060,435		1,889,728
Total			**2,774,552**		2,777,190

Note (a): The bank overdraft facilities were guaranteed by the Company.

Note (b): As at 30 June 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; and

(ii) 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 borrowing range from 1.25% to 6% (2018: 0.60% to 6%).

15. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2019	
	Assets	**Liabilities**
	(HK$'000)	***(HK$'000)***
	(Unaudited)	**(Unaudited)**
Forward currency contracts		
– designated as hedging instruments	**8,180**	**6,629**

	As at 31 December 2018	
	Assets	Liabilities
	(HK$'000)	*(HK$'000)*
	(Audited)	(Audited)
Forward currency contracts		
– designated as hedging instruments	2,987	1,058

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

We recorded stable revenue while generating strong growth in our operating profit for the Period. Our revenue for the Period increased by 0.2% to approximately HK$4,434.2 million from approximately HK$4,425.7 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 4.3% increase compared to the corresponding period in 2018. Our reported gross profit increased by 3.0% to approximately HK$1,915.1 million for the Period from approximately HK$1,859.1 million for the corresponding period in 2018. Our reported operating profit increased by 13.9% to approximately HK$247.2 million for the Period from approximately HK$217.1 million for the corresponding period in 2018 and on a non-GAAP basis, our operating profit increased by 1.9% to approximately HK$289.7 million for the Period from approximately HK$284.2 million for the corresponding period in 2018.

Our revenue performance is attributable to the strong growth from Cybex, the stabilization of revenues from both gb and Evenflo, offset by decreases in the Blue Chip business as planned and the Group's tactical brands and retailer's private label business resulting from the Group's prioritization toward its more profitable core Strategic brands.

During the Period, the Group's core Strategic brands recorded an overall 5.6% growth in revenue (10.3% on a constant currency basis) from the revenue of the corresponding period in 2018. Resulting from the Group's focused brand strategy, our core strategic brands represent approximately 82% of the total consolidated revenues for the Period compared to approximately 78% for the corresponding period in 2018.

Summary of the Group's core Strategic brands revenue:

	For the six months ended 30 June					
(HK$ million)	**2019**		**2018**		Change (%)	Change on a constant currency basis (%)
Group Total Revenue	$4,434.2		$4,425.7		0.2%	4.3%
	Amount	% of Revenue	Amount	% of Revenue	Change (%)	Change on a constant currency basis (%)
Core Strategic Brands Revenue	3,642.6	82.1%	3,449.9	77.9%	5.6%	10.3%
Cybex	1,238.7	27.9%	955.8	21.6%	29.6%	37.1%
gb	1,490.0	33.6%	1,576.3	35.6%	–5.5%	0.1%
Evenflo	913.9	20.6%	917.8	20.7%	–0.4%	–0.2%

EXECUTIVE SUMMARY

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

– **Cybex** brand significantly increased global revenues by 29.6% (37.1% on a constant currency basis) in the Period to approximately HK$1,238.7 million from approximately HK$955.8 million for the corresponding period in 2018. This growth is directly attributable to the continued strong brand performance, new and innovative product introductions and enhanced logistics capabilities in EMEA. In particular, Cybex car seats and wheeled goods sales performance in EMEA was a key driver of growth in the Period. During the Period, Cybex continued to reinforce its leading position as the premium "technical-lifestyle" brand with recognition from independent organizations such as the German consumer testing lab ADAC, receiving 3 red dot design awards and continuously growing its celebrity and social media fan community.

  In addition, Cybex recorded strong growth of 30.7% (38.3% on a constant currency basis) in the Period to approximately HK$217.3 million from approximately HK$166.2 million in the corresponding period in 2018 in markets outside Europe, primarily driven by continued brand building initiatives and further channel expansion.

– **gb** brand continues to realize stabilization in the business performance and recorded an overall revenue net decrease of 5.5% (increase of 0.1% on a constant currency basis) in the Period to approximately HK$1,490.0 million from approximately HK$1,576.3 million in the corresponding period in 2018.

  In the key China market, gb brand recorded a slight revenue decrease of 3.2% (increase of 2.5% on a constant currency basis) in the Period to approximately HK$1,363.4 million as compared to approximately HK$1,408.8 million in the corresponding period in 2018. Our gb brand achieved the China market growth while maneuvering through increasingly challenging economic and retail environments in China. As anticipated, there are market indications of further birth rate decline in China, but the size of the overall addressable baby goods market still offers multiple growth opportunities. Home textiles and apparel continue to drive solid revenue growth of approximately 8.7% (15.3% on a constant currency basis). While durables revenues decreased (primarily car seats) by approximately 12.5% (7.5% on a constant currency basis), new durables wheeled goods product launches in late H1 2019, combined with the continued revision of the wholesale distribution strategy, produced positive growth in June 2019 as compared to June 2018, establishing a foundation for solid durables momentum for the full year of 2019. Overall, the stabilization initiatives by China market are gaining momentum and further positive performance is expected in H2 2019 as gb drives toward a deeper direct engagement with consumers, as evidenced by the strong growth of our own online and offline retail channels.

  gb brand revenues outside the China market approximated HK$126.6 million in the Period as compared to approximately HK$167.1 million in the corresponding period of 2018. This decrease is a direct result of phasing out of older product portfolio, and new product launches in late H1 will return gb back to growth in H2.

- **Evenflo** brand rebounded from a weak revenue performance in early 2019 to achieve a slight decrease of 0.4% (decrease of 0.2% on a constant currency basis) to approximately HK$913.9 million from approximately HK$917.8 million in the corresponding period in 2018. A challenging retail environment in late 2018/early 2019, caused by an overall lack of consumer confidence resulting from uncertainties on potential tariffs, government shutdowns and subdued performance of major retailer promotions, began to stabilize during the Period with a return to positive retailer POS in mid/late H1. Additionally, due to the liquidation of Toys R Us ("**TRU**") and its subsidiary Babies R Us ("**BRU**") in early 2018, there were no revenues to TRU/BRU in the Period compared to approximately HK$15.6 million in the corresponding period in 2018. Evenflo offset this impact in the Period through increased revenues in other North American channels. This growth from late H1 is expected to continue into H2 2019 as Evenflo continues to launch new products and fulfills recent awards of business from major national retailers.

  Evenflo derives the great majority of its revenue from the North America market, from which revenue remained level (increase of 0.1% on a constant currency basis) as sales experienced a rebound in the latter part of the Period due to retail POS stabilization and mid year new product launches.

During the Period, our Blue Chip business revenue decreased by 15.8% to approximately HK$514.7 million in the Period as compared to approximately HK$611.5 million in the corresponding period in 2018. The decrease is directly attributed to higher purchases in the same period of 2018 due to key Blue Chip customer inventory build-up strategies given the uncertain tariff situation at that time. The Group's relationship with its Blue Chip customers remains strong and we anticipate positive revenue development in H2 2019.

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$276.9 million as compared to approximately HK$364.3 million in the corresponding period of 2018. This approximate 24% decrease (decrease of 20.6% on a constant currency basis) is directly impacted by the Group's strategy to concentrate on profitable business and continue full focus on the development of its core Strategic brands.

Innovation and Technology

The Group continues its investment in the innovative research and development ("**R&D**") centers concentrated in China, Europe and North America. These R&D hubs allow us to design and innovate a wide range and variety of consumer centric products in a collaborative manner sharing best practices. To further strengthen our commitment to these principles, during the Period, the Group invested in two new car seat crash sled test facilities, one based in Germany and China, respectively. These investments will ensure Goodbaby remains the leader in global car seat child safety initiatives, will facilitate a faster speed to market in product development/launches and will facilitate future growth.

Consistent with prior periods, Goodbaby brands continue to be recognized for design and safety. During the Period, we continued to reinforce our leading industry position by receiving independent recognition and awards from various consumer testing organizations (e.g. ADAC in Germany), four red dot design awards between Cybex (three) and gb (one), respectively, two North American industry awards for Evenflo, and continuously expanded our celebrity and social media fan community.

Production and Supply Chain

While continued discipline in execution of the Goodbaby Excellence System (GBES) has resulted in world class standards in supply chain and operational excellence, we are investing in smart and automated production technologies to mitigate and reduce increasing labor and overhead costs to ensure we remain competitive. These operations will ensure that the Group continues to provide world class quality, competitive costs and accelerate our speed to market.

OUTLOOK

We have seen positive business developments in all three of our core Strategic brands and organizational structure that provide us with renewed confidence of improved future financial performance. We are expecting further growth in revenue and profitability as we continue to maneuver through the continuously challenging global political, economic and retail environments. We will accomplish this by our focused strategy of investing in our core Strategic brands of Cybex, gb and Evenflo and by continued support of our Blue Chip business. Global demand for Cybex branded products will continue its strong growth across all key geographic regions supported by its current product portfolio and new product launches, strengthened supply chain capabilities and expanding distribution platforms. Stabilization of the gb brand in the key China market is being achieved and is poised for growth in H2 2019 with the continued success of the non-durables portfolio combined with expected rebound of the durables products. Evenflo has rebounded from difficult market conditions in early 2019 and is staged for growth in the back half of 2019 and into 2020 resulting from new product launches and new awards of business from major retailers resulting from its diligence to enhance the overall brand image. On a global basis, we remain committed 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. World class manufacturing, supply chain excellence and cost optimization will once again remain the core of our vision of leading the global juvenile eco-system and achieving sustained profitable growth.

FINANCIAL REVIEW

Revenue

The total revenue of the Group increased by 0.2% to approximately HK$4,434.2 million for the Period from approximately HK$4,425.7 million in the corresponding period of 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 4.3% increase compared to the corresponding period in 2018.

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

(HK$ million)	For the six months ended 30 June					Change on a constant currency basis (%)
	2019		2018			
	Revenue	% of revenue	Revenue	% of revenue	Change (%)	
Group's own brand and retailer private label businesses	3,919.5	88.4	3,814.2	86.2	2.8%	7.3%
APAC	1,762.4	39.8	1,865.9	42.2	-5.5%	-0.1%
EMEA	1,197.7	27.0	995.2	22.5	20.3%	27.2%
Americas	959.4	21.6	953.1	21.5	0.7%	1.1%
Blue Chip business	514.7	11.6	611.5	13.8	-15.8%	-14.4%
Total	4,434.2	100.0	4,425.7	100.0	0.2%	4.3%

The 2.8% growth (7.3% 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 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$1,618.3 million in the Period against HK$1,709.3 million in the corresponding period in 2018, decreased by 5.3% (an increase of 0.3% on a constant currency basis). The slight increase in revenue on constant currency basis was mainly attributable to revenue growth from our strategic brand gb offset by revenue decrease from brand Happy Dino. The revenue from markets outside China decreased to HK$144.1 million in the Period from approximately HK$156.6 million in the corresponding period of 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$1,197.7 million in the Period, increased by 20.3% (27.2% on a constant currency basis) from approximately HK$995.2 million in the corresponding period in 2018. The significant growth in region EMEA is mainly attributable to the strong performance of our strategic brand Cybex offset by weaker performance of brand gb.

– In region Americas, we recorded revenue of approximately HK$959.4 million in the Period, increased by 0.7% (1.1% on a constant currency basis) from approximately HK$953.1 million for the corresponding period in 2018. The increase was mainly attributable to the stabilization of revenue from our strategic brand Evenflo and strong growth of revenue from brand Cybex.

During the Period, our Blue Chip business revenue decreased by 15.8% to approximately HK$514.7 million in the Period as compared to HK$611.5 million in the corresponding period in 2018. The decrease is directly attributed to higher purchases in the same period of 2018 due to key Blue Chip customer inventory build-up strategies given the uncertain tariff situation at that time. The Group's relationship with its Blue Chip customers remains strong and we anticipate further positive revenue development in H2 2019.

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales decreased by 1.9% to approximately HK$2,519.1 million for the Period as compared to approximately HK$2,566.6 million for the corresponding period in 2018. The gross profit for the Group increased by 3.0% to approximately HK$1,915.1 million for the Period from approximately HK$1,859.1 million for the corresponding period of 2018, and the gross profit margin increased to approximately 43.2% for the Period from approximately 42.0% for the corresponding period of 2018. The improvement in gross profit margin was mainly due 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 approximated HK$36.4 million for the Period, which decreased by approximately HK$7.2 million, or 16.5%, from approximately HK$43.6 million for the corresponding period of 2018. The decrease was mainly attributable to the decrease in government grants.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consist of personnel cost, marketing expenses, online and offline store expense, warehousing and transportation costs. The selling and distribution costs approximated HK$1,141.6 million for the Period, increased from approximately HK$1,061.6 million for the corresponding period of 2018 as we recorded higher revenue contribution from our core strategic brands which have higher selling and distribution costs. The increase was mainly attributable to:

a) the increase in marketing expenses to approximately HK$240.9 million for the Period from approximately HK$215.0 million for the corresponding period of 2018, to fuel revenue growth of core strategic brands;

b) the increase in warehousing and transportation costs to approximately HK$232.4 million for the Period from approximately HK$194.3 million for the corresponding period of 2018, for our own brand business especially for the strong performance in region EMEA;

c) stable costs in personnel of approximately HK$308.7 million for the Period, compared to approximately HK$309.1 million in the corresponding period of 2018; and

d) stable online and offline store expense of approximately HK$145.3 million for the Period, compared to approximately HK$148.2 million for the corresponding period of 2018.

Administrative Expenses

The administrative expenses of the Group primarily consist of personnel cost, R&D costs, professional service expenses, other back office expenses and provision for the impairment of receivables. The administrative expenses decreased to approximately HK$550.5 million for the Period from approximately HK$611.7 million for the corresponding period of 2018. The decrease was mainly due to:

a) the decrease in personnel cost to approximately HK$212.3 million for the Period from approximately HK$231.0 million for the corresponding period of 2018, due to a more integrated and optimized Group organization;

b) the decrease in the R&D cost to approximately HK$163.6 million for the Period from approximately HK$172.0 million for the corresponding period of 2018, due to more efficient R&D expenditures;

c) the decrease of approximately HK$28.4 million in provision for the impairment of receivables in the Period comparing with that in the corresponding period of 2018. In the first half of 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 decreased to approximately HK$12.2 million for the Period from approximately HK$12.4 million for the corresponding period in 2018. Other expenses mainly consist of foreign exchange related losses, loss on disposal of property, plant and equipment and other losses.

Operating Profit

As a result of the reasons mentioned above, the Group's operating profit increased by approximately HK$30.1 million, or 13.9%, to approximately HK$247.2 million for the Period from approximately HK$217.1 million for the corresponding period of 2018.

The Group's non-GAAP operating profit increased by approximately HK$5.5 million, or 1.9%, to approximately HK$289.7 million for the Period from approximately HK$284.2 million for the corresponding period of 2018. Please refer to the section headed "Non-GAAP Financial Measures" for information in relation to non-GAAP presentations.

Finance Income

For the Period, the Group's finance income increased by approximately HK$2.1 million to approximately HK$3.8 million for the Period from approximately HK$1.7 million for the corresponding period of 2018. The Group's finance income mainly comprises interest income from bank deposits.

Finance Costs

For the Period, the Group's finance costs increased by approximately HK$16.3 million, or 28.4%, to approximately HK$73.7 million for the Period from approximately HK$57.4 million for the corresponding period in 2018. The increase was mainly attributable to the increase in LIBOR and the additional interest expenses arising from the lease liabilities recognized as a result of the adoption of IFRS 16 in the Period.

Profit Before Tax

As a result of the reasons mentioned above, the profit before tax of the Group increased by 9.5% to approximately HK$177.1 million for the Period from approximately HK$161.8 million for the corresponding period of 2018.

Income Tax Expense

The Group's income tax expense was approximately HK$40.8 million for the Period, increased by approximately HK$13.2 million from approximately HK$27.6 million for the corresponding period in 2018. The increase in income tax expense was mainly due to strong financial performance in EMEA, where the income tax rate is higher than other regions in the Group.

Net Profit for the Period

Net profit of the Group increased by 1.6% to approximately HK$136.3 million for the Period from approximately HK$134.2 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 period and non-GAAP net margin, are presented. The Company's management believes that the non-GAAP financial measures provide investors with a more meaningful view on the Group's financial results, and with useful supplementary information to assess the performance of the Group's strategic operations by excluding certain non-cash items, certain impact of merger and acquisition transactions and certain one-off bad debt provision and operating loss. Nevertheless, the use of these non-GAAP financial measures has limitations as an analytical tool. These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, analysis of the Company's financial performance prepared in accordance with IFRS. In addition, these non-GAAP financial measures may be defined differently from similar terms used by other companies.

The following tables set forth the reconciliations of the Company's non-GAAP financial measures for the six months ended 30 June 2019 and 2018 to the nearest measures prepared in accordance with IFRS:

	For the six months ended 30 June 2019			
		Adjustments		
	As reported *(HK$ million)*	**Equity-settled share option arrangements** *(HK$ million)*	**Amortisation of intangible assets and inventory appreciation (a)** *(HK$ million)*	**Non-GAAP** *(HK$ million)*
Operating profit	**247.2**	**20.8**	**21.7**	**289.7**
Profit before tax	**177.1**	**20.8**	**21.7**	**219.6**
Profit for the period	**136.3**	**20.8**	**16.2**	**173.3**
Operating margin	**5.6%**			**6.5%**
Net margin	**3.1%**			**3.9%**

	For the six months ended 30 June 2018				
		Adjustments			
	As reported *(HK$ million)*	Equity-settled share option arrangements *(HK$ million)*	Amortisation of intangible assets and inventory appreciation (a) *(HK$ million)*	One-off bad debt provision and operating loss associated with TRU/BRU *(HK$ million)*	Non-GAAP *(HK$ million)*
Operating profit	217.1	10.3	25.8	31.0	284.2
Profit before tax	161.8	10.3	25.8	31.0	228.9
Profit for the period	134.2	10.3	19.3	25.0	188.8
Operating margin	4.9%				6.4%
Net margin	3.0%				4.3%

(a) Amortisation of intangible assets and inventory appreciation arising from acquisitions, net of related deferred tax.

Working Capital and Financial Resources

	As at 30 June 2019 *(HK$ million)*	As at 31 December 2018 *(HK$ million)*
Trade and notes receivables (including trade receivables due from a related party)	**1,244.9**	1,108.6
Trade and notes payables	**1,368.6**	1,439.4
Inventories	**1,809.7**	1,944.0

	For the six months ended 30 June 2019	For the year ended 31 December 2018
Trade and notes receivables turnover days(1)	**48**	48
Trade and notes payables turnover days(2)	**100**	101
Inventories turnover days(3)	**134**	140

(1) Trade and notes receivables turnover days = Number of days in the reporting period x (Average balance of trade and notes receivables at the beginning and at the end of the period) / revenue in the reporting period.

(2) Trade and notes payables turnover days = Number of days in the reporting period x (Average balance of the trade and bills payables at the beginning and at the end of the period) / cost of sales in the reporting period.

(3) Inventories turnover days = Number of days in the reporting period x (Average balance of inventories at the beginning and at the end of the period) / cost of sales in the reporting period.

The increase in trade and note receivables was mainly attributable to the revenue growth in our own brand business, and trade and notes receivables turnover days remains stable at 48 days.

The decrease of trade and note payables was mainly attributable to less procurement in the period near 30 June 2019 compared to the period near 2018 year end. During the period approaching 2018 year end, the Group increased purchases preparing for the production and shipments before Chinese New Year. The trade and notes payables turnover days remained stable.

The decrease of inventories was mainly attributable to the tighter control of inventory level and the shipments of inventories before 2018 year end prepared in advance for the significant order demands in first quarter 2019 in region EMEA. The inventory turnover days decreased by 6 days to 134 days.

Liquidity and Financial Resources

As at 30 June 2019, the Group's monetary assets, including cash and cash equivalents, time deposit, pledged bank deposits were approximately HK$1,046.3 million (31 December 2018: approximately HK$930.4 million).

As at 30 June 2019, the Group's interest-bearing bank loans and other borrowings were approximately HK$2,774.5 million (31 December 2018: approximately HK$2,777.2 million), including short-term bank loans and other borrowings of approximately HK$714.1 million (31 December 2018: approximately HK$887.5 million) and long-term bank loans and other borrowings with repayment terms of three years of approximately HK$2,060.4 million (31 December 2018: approximately HK$1,889.7 million).

As a result, as at 30 June 2019, the Group's net debt position was approximately HK$1,728.2 million (31 December 2018: approximately HK$1,846.8 million).

Contingent Liabilities

As at 30 June 2019, the Group had no material contingent liabilities (as at 31 December 2018: nil).

Exchange Rate Fluctuations

The Group is a multinational enterprise with operations in different countries and the money that it uses to conduct its business and transaction are denominated in various currencies, and the Group uses the 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$, Renminbi ("**RMB**") and Euro. The Group's procurement and operating expenses are mainly denominated in RMB, US$ 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 operating expenses. The Group would benefit from the appreciation of US$ and Euro against RMB but would incur losses if US$ or Euro depreciates against RMB. The Group uses forward contracts to substantially eliminate the foreign currency exposures.

Pledge of Assets

As at 30 June 2019, bank deposits of approximately HK$24.9 million (31 December 2018: Nil) were pledged for business operation.

Gearing Ratio

As at 30 June 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 notes payables, other payables, advances from customers and accruals, lease liabilities and interest-bearing bank loans and other borrowings (current and non-current) minus cash and cash equivalents; the amount of the adjusted capital is calculated by equity attributable to owners of the parent minus hedging reserve) was approximately 44.8% (as at 31 December 2018: approximately 45.2% as disclosed in our 2018 annual announcement, or 46.7% after taking into consideration the impact of IFRS 16).

Employees and Remuneration Policy

As at 30 June 2019, the Group had a total of 12,506 full-time employees (31 December 2018: 12,397). For the Period, costs of employees, excluding directors' emoluments, amounted to a total of approximately HK$865.3 million (for the corresponding period of 2018: approximately HK$882.9 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 to award employees who may have an impactful contribution to the Group. On 28 May 2018, the scheme limit of the share option scheme was refreshed such that the maximum number of shares of the Company which may be issued upon exercise of all options to be granted under the share option scheme (excluding options previously granted, outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme and any other share option scheme of the Company) to the extent of up to 10 per cent of the Shares of the Company in issue as at the date of the general meeting of the Company on 28 May 2018.

As at 31 December 2018, the outstanding share options were 133,030,667. During the Period, the Company granted 85,300,000 share options on 23 May 2019, 3,600,667 share options had lapsed and 0 share options had been exercised. As at 30 June 2019, 214,730,000 share options were outstanding.

Significant Acquisition, Disposal or Investment

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

OTHER INFORMATION

Purchase, Sales or Redemption of Shares

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

Dividends

The Board does not recommend payment of any dividend for the Period (six months ended 30 June 2018: Nil).

Corporate Governance

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

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

Model Code for Securities Transactions by Directors

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

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 unaudited interim condensed consolidated financial statements of the Group for the Period have been reviewed by the Audit Committee.

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

Publication of Interim Report

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

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

Hong Kong, 26 August 2019

As at the date of this announcement, the executive Directors 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.