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# Goodbaby

International

## Goodbaby International Holdings Limited

好孩子國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1086)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

Financial Highlights	For the six months ended 30 June		Year-on-year change
	2021	2020	
	<i>(HK\$ in millions, unless specified)</i>		
Revenue	<b>4,627.3</b>	3,718.1	24.5%
Gross profit	<b>1,962.7</b>	1,545.8	27.0%
Operating profit <sup>1</sup>	<b>151.5</b>	125.4	20.8%
Non-GAAP <sup>2</sup> operating profit	<b>192.4</b>	168.2	14.4%
Profit for the period	<b>101.2</b>	54.3	86.4%
Profit for the period attributable to owners of the parent	<b>101.1</b>	54.1	86.9%
EPS (HK\$)			
– basic	<b>0.06</b>	0.03	100.0%
– diluted	<b>0.06</b>	0.03	100.0%
<i>Notes:</i>			
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 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 (“**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 2021 (the “**Period**”), together with the comparative figures for the corresponding period in 2020 as below.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2021</b>	2020
		<b>(Unaudited)</b>	(Unaudited)
		<b>(HK\$'000)</b>	(HK\$'000)
Revenue	4	<b>4,627,265</b>	3,718,095
Cost of sales		<b>(2,664,535)</b>	(2,172,280)
Gross profit		<b>1,962,730</b>	1,545,815
Other income and gains	4	<b>34,019</b>	78,655
Selling and distribution expenses		<b>(1,190,613)</b>	(945,775)
Administrative expenses		<b>(646,983)</b>	(539,094)
Other expenses		<b>(7,624)</b>	(14,216)
<b>Operating profit</b>		<b>151,529</b>	125,385
Finance income	5	<b>16,047</b>	12,127
Finance costs	6	<b>(45,625)</b>	(69,041)
Share of losses of:			
Joint ventures		<b>(1,138)</b>	(306)
An associate		<b>(6)</b>	(43)
<b>Profit before tax</b>	7	<b>120,807</b>	68,122
Income tax expense	8	<b>(19,646)</b>	(13,855)
<b>Profit for the period</b>		<b>101,161</b>	54,267
Attributable to:			
Owners of the parent		<b>101,071</b>	54,138
Non-controlling interests		<b>90</b>	129
		<b>101,161</b>	54,267
<b>Earnings per share attributable to ordinary equity holders of the parent:</b>	<i>10</i>		
Basic			
For profit for the period (HK\$)		<b>0.06</b>	0.03
Diluted			
For profit for the period (HK\$)		<b>0.06</b>	0.03

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
	<b>(HK\$'000)</b>	(HK\$'000)
<b>Profit for the period</b>	<b>101,161</b>	54,267
<b>Other comprehensive income /(loss)</b>		
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	31,660	4,468
Reclassification adjustments for (loss)/income included in the consolidated statement of profit or loss	(4,076)	4,343
Income tax effect	(4,400)	(206)
	<b>23,184</b>	8,605
Exchange differences:		
Exchange differences on translation of foreign operations	61,381	(115,705)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<b>84,565</b>	(107,100)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Actuarial gains of defined benefit plans	295	643
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<b>295</b>	643
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>84,860</b>	(106,457)
<b>Total comprehensive income /(loss) for the period</b>	<b>186,021</b>	(52,190)
Attributable to:		
Owners of the parent	185,605	(52,015)
Non-controlling interests	416	(175)
	<b>186,021</b>	(52,190)

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Notes</i>	<b>30 June 2021 (Unaudited) (HK\$'000)</b>	31 December 2020 (Audited) (HK\$'000)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,004,625</b>	1,033,485
Right-of-use assets		<b>289,458</b>	256,844
Goodwill		<b>2,783,097</b>	2,763,595
Other intangible assets		<b>2,286,998</b>	2,287,136
Investment in joint ventures		<b>3,496</b>	5,070
Investment in an associate		<b>2,372</b>	2,243
Deferred tax assets		<b>101,980</b>	98,237
Other long-term assets		<b>9,681</b>	11,328
		<hr/>	<hr/>
Total non-current assets		<b>6,481,707</b>	6,457,938
<b>CURRENT ASSETS</b>			
Inventories	<i>11</i>	<b>2,087,858</b>	2,061,439
Trade and notes receivables	<i>12</i>	<b>1,278,642</b>	1,134,657
Prepayments and other receivables		<b>650,351</b>	464,690
Due from related parties		<b>7,392</b>	6,532
Financial assets at fair value through profit or loss		<b>7,086</b>	6,994
Cash and cash equivalents		<b>1,388,810</b>	1,693,152
Pledged deposits		<b>260,686</b>	25,702
Derivative financial instruments	<i>15</i>	<b>48,125</b>	17,683
		<hr/>	<hr/>
Total current assets		<b>5,728,950</b>	5,410,849
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>13</i>	<b>1,428,668</b>	1,455,446
Other payables and accruals		<b>888,234</b>	908,563
Income tax payable		<b>49,331</b>	27,491
Provision		<b>59,072</b>	54,547
Interest-bearing bank loans and other borrowings	<i>14</i>	<b>1,936,175</b>	1,986,869
Lease liabilities		<b>82,905</b>	95,600
Derivative financial instruments	<i>15</i>	<b>4,946</b>	6,003
Due to a related party		<b>480</b>	3,227
Defined benefit plan liabilities		<b>388</b>	388
		<hr/>	<hr/>
Total current liabilities		<b>4,450,199</b>	4,538,134
<b>NET CURRENT ASSETS</b>		<hr/> <b>1,278,751</b>	<hr/> 872,715
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> <b>7,760,458</b>	<hr/> 7,330,653

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

*As at 30 June 2021*

	<i>Note</i>	<b>30 June 2021 (Unaudited) (HK\$'000)</b>	31 December 2020 (Audited) (HK\$'000)
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank loans and other borrowings	14	<b>976,853</b>	785,735
Provision		<b>61,001</b>	63,559
Defined benefit plan liabilities		<b>4,107</b>	4,232
Other liabilities		<b>2,272</b>	1,872
Lease liabilities		<b>156,875</b>	123,177
Deferred tax liabilities		<b>571,725</b>	570,509
Total non-current liabilities		<b>1,772,833</b>	1,549,084
<b>Net assets</b>		<b>5,987,625</b>	5,781,569
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		<b>16,680</b>	16,680
Reserves		<b>5,938,404</b>	5,732,764
Non-controlling interests		<b>5,955,084</b>	5,749,444
		<b>32,541</b>	32,125
<b>Total equity</b>		<b>5,987,625</b>	5,781,569

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2021

## 1. CORPORATE INFORMATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2021 were authorized to issue in accordance with a resolution of directors on 23 August 2021.

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 information for the six months ended 30 June 2021 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The financial information is presented in Hong Kong Dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39,  
IFRS 7, IFRS 4 and IFRS 16  
Amendments to IFRS 16

*Interest Rate Benchmark Reform – Phase 2*

*Covid-19-Related Rent Concessions beyond 30 June 2021  
(early adopted)*

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in United States dollars and foreign currencies based on the London Interbank Offered Rate (“**LIBOR**”) and the EURO Interbank Offered Rate (“**EURIBOR**”) as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.

- (b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the coronavirus disease 2019 (“**COVID-19**”) pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the COVID-19 pandemic. A reduction in the lease payments arising from the rent concessions of HK\$74,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2021.

### 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.

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 2021

	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)
<b>Segment revenue</b> (note 4)					
Sales to external customers	1,747,932	1,562,718	732,359	584,256	4,627,265
<b>Segment results</b>	750,550	730,927	324,555	156,698	1,962,730
<i>Reconciliation:</i>					
Other income and gains					34,019
Corporate and other unallocated expenses					(1,841,391)
Other expenses					(7,624)
Finance income					16,047
Finance costs (other than interest on lease liabilities)					(41,830)
Share of losses of:					
Joint ventures					(1,138)
An associate					(6)
<b>Profit before tax</b>					<b>120,807</b>
<b>Other segment information:</b>					
Impairment losses recognised/(reversed) in the statement of profit or loss	(819)	(1,174)	(1,306)	(27)	(3,326)
Depreciation and amortisation	96,803	93,450	30,047	24,816	245,116



## Six months ended 30 June 2020

	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)
<b>Segment revenue (note 4)</b>					
Sales to external customers	1,250,308	1,223,860	695,871	548,056	3,718,095
<b>Segment results</b>	535,494	554,997	312,283	143,041	1,545,815
<i>Reconciliation:</i>					
Other income and gains					78,655
Corporate and other unallocated expenses					(1,489,921)
Other expenses					(14,216)
Finance income					12,127
Finance costs (other than interest on lease liabilities)					(63,989)
Share of losses of:					
Joint ventures					(306)
An associate					(43)
<b>Profit before tax</b>					<u>68,122</u>
<b>Other segment information:</b>					
Impairment losses recognised/(reversed) in the statement of profit or loss	(3,153)	(4,144)	4,599	(724)	(3,422)
Depreciation and amortisation	88,044	78,409	30,580	24,836	221,869

## 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)
<b>Six months ended 30 June 2021</b>					
<b>Segment revenue:</b>					
Sales to external customers	1,420,143	1,569,936	1,337,595	299,591	4,627,265
<b>Six months ended 30 June 2020</b>					
<b>Segment revenue:</b>					
Sales to external customers	1,013,413	1,270,889	1,230,303	203,490	3,718,095

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

(b) *Non-current assets*

	<b>2021</b> <i>(HK\$'000)</i> <b>(Unaudited)</b>	2020 <i>(HK\$'000)</i> (Audited)
Mainland China	<b>4,299,811</b>	4,243,555
North America	<b>1,016,616</b>	1,024,665
Europe	<b>1,055,770</b>	1,072,841
	<b><u>6,372,197</u></b>	<b><u>6,341,061</u></b>

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

*Information about a major customer*

During the six months ended 30 June 2021, 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\$501,960,000 (during the six months ended 30 June 2020: HK\$407,948,000).

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

An analysis of revenue is as follows:

	<b>Six months ended 30 June</b>	
	<b>2021</b> <i>(HK\$'000)</i> <b>(Unaudited)</b>	2020 <i>(HK\$'000)</i> (Unaudited)
<i>Revenue from contracts with customers:</i>		
Sales of goods	<b>4,614,492</b>	3,707,833
Rendering of testing services	<b>12,773</b>	10,262
	<b><u>4,627,265</u></b>	<b><u>3,718,095</u></b>

## Revenue from contracts with customers

### (i) Disaggregated revenue information

#### For the six months ended 30 June 2021

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)
<b>Types of goods or services</b>					
Sale of goods	1,747,932	1,562,718	732,359	571,483	4,614,492
Rendering of testing services	–	–	–	12,773	12,773
Total revenue from contracts with customers	<u>1,747,932</u>	<u>1,562,718</u>	<u>732,359</u>	<u>584,256</u>	<u>4,627,265</u>
<b>Timing of revenue recognition</b>					
Goods transferred at a point in time	1,747,932	1,562,718	732,359	571,483	4,614,492
Services transferred at a point in time	–	–	–	12,773	12,773
Total revenue from contracts with customers	<u>1,747,932</u>	<u>1,562,718</u>	<u>732,359</u>	<u>584,256</u>	<u>4,627,265</u>
<b>Revenue from contracts with customers</b>					
External customers	<u>1,747,932</u>	<u>1,562,718</u>	<u>732,359</u>	<u>584,256</u>	<u>4,627,265</u>

#### For the six months ended 30 June 2020

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)
<b>Types of goods or services</b>					
Sale of goods	1,250,308	1,223,860	695,871	537,794	3,707,833
Rendering of testing services	–	–	–	10,262	10,262
Total revenue from contracts with customers	<u>1,250,308</u>	<u>1,223,860</u>	<u>695,871</u>	<u>548,056</u>	<u>3,718,095</u>
<b>Timing of revenue recognition</b>					
Goods transferred at a point in time	1,250,308	1,223,860	695,871	537,794	3,707,833
Services transferred at a point in time	–	–	–	10,262	10,262
Total revenue from contracts with customers	<u>1,250,308</u>	<u>1,223,860</u>	<u>695,871</u>	<u>548,056</u>	<u>3,718,095</u>
<b>Revenue from contracts with customers</b>					
External customers	<u>1,250,308</u>	<u>1,223,860</u>	<u>695,871</u>	<u>548,056</u>	<u>3,718,095</u>

Other income and gains:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>(HK\$'000)</b>	<b>(HK\$'000)</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<i>Other income and gains</i>		
Government grants ( <i>note (a)</i> )	<b>26,849</b>	64,459
Gain on disposal of fixed assets	<b>2,740</b>	–
Gain on sales of scrap materials	<b>1,800</b>	–
Gain on wealth investment products ( <i>note (b)</i> )	<b>677</b>	2,597
Compensation income ( <i>note (c)</i> )	<b>434</b>	2,090
Rental concession income	<b>74</b>	3,453
Net foreign exchange gain	–	2,557
Fair value gains, net		
– Cash flow hedges (transfer from equity)	<b>512</b>	292
– Derivative instruments – transactions not qualifying as hedges	–	884
– Financial assets at fair value through profit or loss	–	464
– Gains on call/put options over non-controlling interests	–	1,350
Others	<b>933</b>	509
Total	<b>34,019</b>	78,655

*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 to support operations during the COVID-19, 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 or shipment delay in the normal course of business.

**5. FINANCE INCOME**

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>(HK\$'000)</b>	<b>(HK\$'000)</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest income on bank deposits	<b>16,047</b>	12,127

**6. FINANCE COSTS**

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>(HK\$'000)</b>	<b>(HK\$'000)</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest on bank loans, overdrafts and other loans	<b>41,830</b>	63,989
Interest on lease liabilities	<b>3,795</b>	5,052
	<b>45,625</b>	69,041

## 7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2021 (HK\$'000) (Unaudited)	2020 (HK\$'000) (Unaudited)
Cost of inventories sold	2,658,220	2,167,648
Cost of services provided	6,315	4,632
Depreciation of property, plant and equipment	152,126	140,189
Depreciation of right-of-use assets	59,655	57,029
Amortisation of intangible assets	33,335	24,651
Research and development ("R&D") costs	198,018	146,802
Short-term rental expenses*	19,680	23,959
Auditors' remuneration	4,938	4,640
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	888,951	732,619
Share option expense	20,035	22,471
Pension scheme costs (defined benefit plans) (including administrative expense)	460	454
Pension scheme contributions	32,894	18,772
	<u>942,340</u>	<u>774,316</u>
Net foreign exchange losses/(gain)	2,589	(2,557)
Fair value gains, net:		
– Cash flow hedges (transfer from equity)	(512)	(292)
– Derivative instruments – transactions not qualifying as hedges	–	(884)
– Financial assets at fair value through profit or loss	–	(464)
– Gains on call/put options over non-controlling interests	–	(1,350)
Provision for impairment of receivables	1,586	1,279
Reversal of provision of inventories	(4,912)	(4,701)
Product warranties and liabilities	35,782	33,778
(Gain)/loss on disposal of items of property, plant and equipment	(2,740)	2,505
Bank interest income	<u>(16,047)</u>	<u>(12,127)</u>

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

## 8. INCOME TAX EXPENSE

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

Hong Kong profits tax has been provided at the rate of 16.5% (2020:16.5%) on the estimated assessable profits arising in Hong Kong during the period, 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 (2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

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 2.5% to 9.99% in the respective states where 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 income tax based on the taxable income at the rate of 15.825% and the 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, two of the Group's subsidiaries, Goodbaby Child Products Co., Ltd. ("GCPC") and EQO Testing and Certification Services Co., Ltd. ("EQTC"), are qualified as "High and New Technology Enterprises" and are entitled to a preferential tax rate of 15% from 2020 to 2022.

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current income tax		
– Charge for the period	<b>24,857</b>	13,702
Deferred income tax	<b>(5,211)</b>	153
	<hr/>	<hr/>
Income tax expense reported in the statement of profit or loss	<b><u>19,646</u></b>	<b><u>13,855</u></b>

## **9. DIVIDENDS**

The board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2021 (six months ended 30 June 2020: 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 1,668,024,099 in issue during the six months ended 30 June 2021 (six months ended 30 June 2020: 1,668,023,166).

The calculation of diluted earnings per share amount 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 Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021.

The calculation of earnings per share is based on:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the earnings per share calculation	<b>101,071</b>	54,138
	<b><u>101,071</u></b>	<u>54,138</u>
	<b>Number of shares</b>	
	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>1,668,024,099</b>	1,668,023,166
	<b><u>1,668,024,099</u></b>	<u>1,668,023,166</u>
Effect of dilution-weighted average number of ordinary shares: Share options	<b>1,187,698</b>	–
	<b><u>1,187,698</u></b>	<u>–</u>
Total	<b>1,669,211,797</b>	1,668,023,166
	<b><u>1,669,211,797</u></b>	<u>1,668,023,166</u>

## 11. INVENTORIES

	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2021</b>	<b>2020</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Raw materials	<b>263,307</b>	327,355
Work in progress	<b>45,203</b>	46,705
Finished goods	<b>1,779,348</b>	1,687,379
	<b><u>1,779,348</u></b>	<u>1,687,379</u>
Total	<b>2,087,858</b>	2,061,439
	<b><u>2,087,858</u></b>	<u>2,061,439</u>

## 12. TRADE AND NOTES RECEIVABLES

	As at 30 June 2021 (HK\$'000) (Unaudited)	As at 31 December 2020 (HK\$'000) (Audited)
Trade receivables	1,306,903	1,163,236
Notes receivables	<u>4,581</u>	<u>2,905</u>
	1,311,484	1,166,141
Impairment for trade receivables	<u>(32,842)</u>	<u>(31,484)</u>
	<u><b>1,278,642</b></u>	<u><b>1,134,657</b></u>

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

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

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

	As at 30 June 2021 (HK\$'000) (Unaudited)	As at 31 December 2020 (HK\$'000) (Audited)
Within 3 months	1,202,260	1,064,257
3 to 6 months	37,206	39,776
6 months to 1 year	23,546	18,433
Over 1 year	<u>11,049</u>	<u>9,286</u>
	<u><b>1,274,061</b></u>	<u><b>1,131,752</b></u>



### 13. TRADE AND BILLS PAYABLES

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

	As at 30 June 2021 (HK\$'000) (Unaudited)	As at 31 December 2020 (HK\$'000) (Audited)
Within 3 months	1,202,720	1,186,600
3 to 12 months	212,524	261,273
1 to 2 years	8,560	5,332
2 to 3 years	3,615	1,483
Over 3 years	1,249	758
	<u>1,428,668</u>	<u>1,455,446</u>

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

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

		As at 30 June 2021 HK\$'000 Maturity (Unaudited)	As at 31 December 2020 HK\$'000 Maturity (Audited)
<b>Current</b>			
Bank overdrafts – secured	<i>Note (a)</i>	2021 321,964	2021 291,772
Bank overdrafts – unsecured	<i>Note (a)</i>	2021 –	2021 283
Current portion of long-term bank loans – secured	<i>Note (b)</i>	2021-2022 1,387,730	2021 1,690,214
Bank borrowings – secured	<i>Note (b)</i>	2021 183,978	2021 4,135
Promissory note	<i>Note (c)</i>	2022 466	2021 465
Bank borrowings – unsecured		2022 42,037	–
		<u>1,936,175</u>	<u>1,986,869</u>
<b>Non-current</b>			
Bank borrowings – secured	<i>Note (b)</i>	2023 221,672	2022-2023 548,187
Bank borrowings – unsecured		2022-2024 755,181	2022 237,083
Promissory note	<i>Note (c)</i>	–	2022 465
		<u>976,853</u>	<u>785,735</u>
<b>Total</b>		<u>2,913,028</u>	<u>2,772,604</u>

*Note (a):* The bank overdraft facilities amounted to HK\$401,746,000, of which HK\$321,964,000 had been utilised as at the end of the reporting period. The bank overdraft facilities are revolving facilities with no termination date.

*Note (b):* As at 30 June 2021, certain of the Group's bank loans are secured by:

- (i) Certain machinery amounting to HK\$8,178,000 (31 December 2020: HK\$10,810,000);
- (ii) A standby letter of credit from certain banks issued by a subsidiary of the Company; and
- (iii) The guarantee from the Company and a subsidiary of the Company (31 December 2020: 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 0.59% to 3.6% (2020: 1.05% to 6%).

## 15. DERIVATIVE FINANCIAL INSTRUMENTS

	<b>As at 30 June 2021</b>	
	<b>Assets</b>	<b>Liabilities</b>
	<b>(HK\$'000)</b>	<b>(HK\$'000)</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Forward currency contracts		
– designated as hedging instruments	<b>48,125</b>	<b>4,946</b>
	<hr/>	<hr/>
	<b>As at 31 December 2020</b>	
	<b>Assets</b>	<b>Liabilities</b>
	<b>(HK\$'000)</b>	<b>(HK\$'000)</b>
	<b>(Audited)</b>	<b>(Audited)</b>
Forward currency contracts		
– designated as hedging instruments	<b>17,683</b>	<b>6,003</b>
	<hr/>	<hr/>

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

During the earlier months of the Period, many countries in our key markets continued to experience lingering impacts from the COVID-19 virus and its related variants, requiring intermittent lockdowns to curb the further spread of the virus. In certain key EMEA, North American and North Asian markets, the duration of these lockdowns was longer than the corresponding period in 2020, which tempered our overall revenue recovery in the Period. As global vaccination initiatives moved forward, regional economies of our key markets started to gradually reopen in the second quarter of 2021. Furthermore, intensifying headwinds in foreign exchange fluctuations, global supply chains (mainly freight and raw material price hikes) and a significant limitation of logistics capacities drove lower product availability and higher costs during the Period. Despite these ongoing developments, our Group carried forward its long-term strategy through continuing its mindful and deliberate operating expense investments in the Group's key strategic brands, primarily to facilitate further revenue growth at CYBEX and to continue gb's ongoing transformation in its key China market. Our positive commercial and financial performance during the Period is the result of proactive execution of our clear, long-term sustainable strategy of being the leader of a global parenting ecosystem.

Key highlights of our Group's performance during the Period include:

1. Our balanced global footprint minimized risk in any one territory and was a catalyst for a strong competitive advantage resulting in increased market share;
2. Our owned China and US based production and regional supply chain/operations teams functioned as the backbone of our operations with no facility shutdowns during the Period;
3. Aggressive cash flow management during turbulent market conditions achieved an overall stable cash position while pursuing opportunistic investments in inventory to capture increased market share and strategic investments in mid/long term growth initiatives primarily focused on CYBEX expansion of distribution and operational infrastructure and gb's continued transformation in the China market;
4. Despite COVID-19 related challenges, our key strategic brands continued to introduce innovative designs and products with strong consumer reception, further strengthening our global leadership position in the global parenting ecosystem.

Our revenue for the Period increased by 24.5% to approximately HK\$4,627.3 million from approximately HK\$3,718.1 million for the corresponding period in 2020. During the Period, foreign exchange rate fluctuations impacted the overall revenue growth. On a constant currency basis, our revenue for the Period recorded a 16.9% increase as compared to the corresponding period in 2020. Reported gross profit increased by 27.0% to approximately HK\$1,962.7 million for the Period from approximately HK\$1,545.8 million for the corresponding period in 2020. Reported operating profit increased by 20.8% to approximately HK\$151.5 million from approximately HK\$125.4 million for the corresponding period in 2020 and on a non-GAAP basis, our operating profit increased by 14.4% to approximately HK\$192.4 million for the Period from approximately HK\$168.2 million for the corresponding period in 2020.

During the Period, the Group's core Strategic brands recorded an increase of 23.7% in revenue (15.9% increase on a constant currency basis) from the revenue of the corresponding period in 2020.

Summary of the Group's core Strategic brands revenue:

For the six months ended 30 June						
(HK\$ million)	2021		2020		Change (%)	Change on a constant currency basis (%)
<b>Group Total Revenue</b>	\$4,627.3		\$3,718.1		24.5%	16.9%
	Amount	% of Revenue	Amount	% of Revenue	Change (%)	Change on a constant currency basis (%)
<b>Core Strategic Brands Revenue</b>	\$3,766.3	81.5%	\$3,044.2	81.9%	23.7%	15.9%
CYBEX	1,617.9	35.0%	1,075.6	28.9%	50.4%	39.6%
gb	1,211.2	26.2%	1,132.3	30.5%	7.0%	-2.4%
Evenflo	937.2	20.3%	836.3	22.5%	12.1%	10.4%

## EXECUTIVE SUMMARY

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

- CYBEX** brand recorded significant growth in revenue of 50.4% (39.6% increase on a constant currency basis) in the Period to a new all-time record high of approximately HK\$1,617.9 million from approximately HK\$1,075.6 million for the corresponding period in 2020, despite intermittent lockdowns in EMEA, North America and North Asia caused by lingering COVID-19 impacts early in the Period and shortages in product availability caused by global logistics capacity limitations. This strong growth momentum across all key global markets primarily driven by further gaining market shares, continuous expansion of national distribution in existing and new markets, accelerated introduction of new products in car seats and wheeled goods and improved global operational/supply chain management. The launch of new product categories, continued expansion of distribution in new markets, as well as the introduction of our own e-commerce platform in Europe will fortify the overall business platform to facilitate further market share gains globally and reinforce its leading position. During the Period, CYBEX continued to receive multiple awards from independent European consumer testing organizations (e.g. ADAC, Red Dot Design Award), which proves the brand's steadfast commitment to technologies and design.

- gb** brand recorded an increase in revenue of 7.0% (2.4% decrease on a constant currency basis) in the Period to approximately HK\$1,211.2 million from approximately HK\$1,132.3 million for the corresponding period in 2020. In the key China market, gb brand recorded revenue growth of 10.1% (0.3% increase on a constant currency basis) highlighted by strong growth in the first quarter of 2021 driven by the recovery of offline retail traffic and sales as compared with the corresponding period of 2020. During the second quarter of 2021, gb brand realigned all key distribution channels to improve the overall consumer experience and service. Reformation of the wholesale distribution channel and selected store closures and opening are highlights of these aforementioned initiatives. These initiatives have further strengthened the brand transformation in China as focus shifts towards consumer-centric engagement to make transactions more convenient, targeted and frequent via more focused consumer interactions through our self-owned channels. During the Period, our self-owned retail channels, both online and offline, recorded double digit revenue growth. gb continued to dedicate resources to product development and innovation in the Period in both durable and non-durable products, and such efforts have been rewarded by receiving prominent awards, including two Red Dot Design Awards and one iF Design Award.
- Evenflo** brand recorded an increase in revenue of 12.1% (10.4% increase on a constant currency basis) in the Period to approximately HK\$937.2 million from approximately HK\$836.3 million for the corresponding period in 2020. Strong consumer acceptance of new products designed and introduced to enhance the overall brand image is the primary driver of the strong revenue performance. Overall revenue momentum was tempered during the Period by product availability challenges resulting from global supply chain logistics and cost factors. While the overall North America macro environment continues to stabilize due to increased vaccination levels and stimulus relief initiatives, volatility remains due to lingering impacts from COVID-19 variants and continuing global supply headwinds.

During the Period, our Blue Chip business recorded very strong revenue growth of 38.5% (31.8% increase on a constant currency basis) to approximately HK\$642.3 million in the Period as compared to approximately HK\$463.9 million for the corresponding period in 2020. The positive revenue growth was driven by increasing orders from our customers as their respective markets continue to recover from COVID-19 impacts. We continue to provide robust, value-oriented solutions for our key customers and accordingly, our Blue Chip business remains stable and sound.

During the Period, the Group's revenue from our tactical brands approximated HK\$218.7 million as compared to approximately HK\$210.0 million in the corresponding period of 2020. This approximate 4.1% increase (1.6% decrease on a constant currency basis) was primarily driven by overall business climate recovering from COVID-19 restrictions from the prior period offset by the continued planned rationalization of the respective product portfolios.

## **OUTLOOK**

Notwithstanding the lingering impacts from COVID-19 and ongoing global supply chain capacity limitations, we are very encouraged by our business development and the proven strength of our business platform. We remain very confident in our overall strategy and will continue to execute our focused strategy in our core Strategic brands of CYBEX, gb and Evenflo and support the ongoing development of our Blue Chip business.

Our core Strategic brands are very well accepted by consumers across the globe.

CYBEX will continue its strong global growth strategy across all key geographic regions and gain market share driven by its current product portfolio, new product launches, new category extensions, strengthened supply chain capabilities, new e-commerce platforms and expansion of national distribution platforms in new geographic territories.

gb brand will continue its brand upgrade, further development of digital cloud retail system and social media based owned channels, reformation of its wholesale distribution channel, and its focus on product innovation, technologies and new product launches, which will establish the foundation for growth in revenue and profitability. We will continue to invest in and execute our digital transformation to strengthen consumer engagement in all owned channels and upgrade our retail store concepts working in concert with our cloud retail system to provide a deeper engagement via an immersive experience with our consumers.

Evenflo will continue to drive sustainable revenue and market share growth based on strong consumer reception to recent product launches; it will continue to launch new and more profitable products and fulfill new awards of business from major retailers as the brand is being recognized for its commitment to overall brand enhancement and product innovation.

On a global basis, we will continue to invest in B2C platforms through our own national distribution platforms in existing and new markets to ensure we maintain a direct relationship with our fans and consumers and provide them with a world class online experience. We will continue to optimize our supply chain strategies as we embrace supplier partnerships and broaden our global footprint to ensure we are quicker to market and leverage regional capabilities. World class manufacturing, supply chain excellence and cost optimization will always remain the core of our vision of leading the global juvenile eco-system and achieving sustained profitable growth.

Notwithstanding the very positive revenue and profit achievement during the Period, the potential for even further incremental positive revenue and profitability have been inevitably negatively impacted by continued impacts from COVID-19 and global supply and logistics disruptions. We have already implemented measures to mitigate such longer term impacts. We will monitor these dynamics very closely and execute any additional actions as required.

While encouraged by the Group performance during the Period, we remain vigilant regarding any ongoing impacts related to COVID-19 and will implement further necessary proactive measures to ensure the ongoing viability of the Group performance. Any significant resurgence of COVID-19 may influence Group commercial performance, but our strong global one-dragon model is the key foundational element to continue to achieve significant accomplishments in all environments.

## FINANCIAL REVIEW

### Revenue

For the Period, the total revenue of the Group increased by 24.5% to approximately HK\$4,627.3 million from approximately HK\$3,718.1 million for the corresponding period in 2020. During the Period, foreign exchange rate fluctuations impacted the overall revenue growth. On a constant currency basis, our revenue for the Period recorded a 16.9% increase as compared to the corresponding period in 2020.

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 2021		2020		Change (%)	Change on a constant currency basis (%)
	Revenue	% of revenue	Revenue	% of revenue		
Group's own brands and retailer private label businesses	3,985.0	86.1	3,254.2	87.5	22.5	14.8
– APAC	1,534.7	33.1	1,353.3	36.4	13.4	3.9
– EMEA	1,433.7	31.0	1,024.3	27.5	40.0	30.3
– Americas	1,016.6	22.0	876.6	23.6	16.0	13.6
Blue Chip business	642.3	13.9	463.9	12.5	38.5	31.8
Total	4,627.3	100.0	3,718.1	100.0	24.5	16.9

The 22.5% increase (14.8% increase on a constant currency basis) of the Group's own brands and retailer private label businesses is the result of proactive execution of our clear, long-term sustainable strategy of being the leader of a global parenting ecosystem (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\$1,337.6 million in the Period against HK\$1,230.3 million in the corresponding period in 2020, an increase of 8.7% (a decrease of 1.0% on a constant currency basis). In the key China market, gb brand recorded a strong growth in the first quarter of 2021 driven by the recovery of offline retail traffic and sales as compared with the corresponding period of 2020. During the second quarter of 2021, gb brand realigned all key distribution channels to improve the overall consumer experience and service. Reformation of the wholesale distribution channel and selected store closures and opening are highlights of these aforementioned initiatives. The revenue from markets outside China increased to HK\$197.1 million in the Period from approximately HK\$123.0 million in the corresponding period of 2020, which was primarily driven by overall business climate recovering from COVID-19 restrictions from the prior period.

- In region EMEA, we recorded revenue of approximately HK\$1,433.7 million in the Period, an increase of 40.0% (30.3% increase on a constant currency basis) from approximately HK\$1,024.3 million in the corresponding period in 2020. The increase in region EMEA was mainly attributable to the increase in revenue from our strategic brand CYBEX.
- In region Americas, we recorded revenue of approximately HK\$1,016.6 million in the Period, an increase of 16.0% (13.6% increase on a constant currency basis) from approximately HK\$876.6 million for the corresponding period in 2020. The increase was mainly attributable to the increase in revenue from our strategic brand Evenflo and the active growth of revenue from brand CYBEX.

During the Period, our Blue Chip business recorded an increase of 38.5% (31.8% increase on a constant currency basis) to approximately HK\$642.3 million in the Period as compared to approximately HK\$463.9 million for the corresponding period in 2020. The positive revenue growth was driven by increasing orders from our customers as their respective markets continue to recover from COVID-19 impacts. We will continue to provide robust, value-oriented solutions for our key customers and accordingly, our Blue Chip business remains stable and sound.

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

Cost of sales increased by 22.7% to approximately HK\$2,664.6 million for the Period from approximately HK\$2,172.3 million for the corresponding period in 2020. Gross profit for the Group increased to approximately HK\$1,962.7 million for the Period from approximately HK\$1,545.8 million for the corresponding period in 2020, and gross profit margin increased to approximately 42.4% for the Period from approximately 41.6% for the corresponding period in 2020, mainly attributed to the increase in revenue contribution from our core strategic brands with higher gross margin and cost improvement due to management efforts, which was offset by the increase in cost due to higher sea freight rates and raw material price, as well as losses from US dollar depreciates against RMB.

### **Other Income and Gains**

Other income and gains of the Group decreased by approximately HK\$44.7 million to approximately HK\$34.0 million for the Period from approximately HK\$78.7 million for the corresponding period in 2020. 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 marketing expenses, personnel costs and transportation costs. The selling and distribution costs amounted to approximately HK\$1,190.6 million for the Period, increasing from approximately HK\$945.8 million for the corresponding period in 2020. The increase was mainly attributable to:

- (a) the increase in marketing expenses to approximately HK\$204.5 million for the Period from approximately HK\$180.1 million for the corresponding period in 2020 that generated the revenue growth;
- (b) the increase in warehousing and transportation costs to approximately HK\$263.4 million for the Period from approximately HK\$191.3 million for the corresponding period in 2020, with the combined effect of cost occurred for more products sold and higher logistic fee rate;
- (c) the increase in personnel costs to approximately HK\$356.8 million for the Period from approximately HK\$278.8 million for the corresponding period in 2020 is mainly attributable to organization expansion to facilitate continued rapid growth of CYBEX globally and higher personnel cost in retail channel in China market; and
- (d) the increase in rental and commission paid in retail channel to approximately HK\$135.0 million for the Period from approximately HK\$96.3 million for the corresponding period in 2020 which is in line with revenue increase in own retail channel and increased numbers of offline stores.

## **Administrative Expenses**

The Group's administrative expenses primarily consist of personnel costs, R&D costs, professional service expenses, provision for the impairment of receivables and other office expenses. The administrative expenses increased to approximately HK\$647.0 million for the Period from approximately HK\$539.1 million for the corresponding period in 2020. The increase was mainly due to:

- (a) the increase in the R&D cost to approximately HK\$198.0 million for the Period from approximately HK\$146.8 million for the corresponding period in 2020, due to delays impacted by COVID-19 in the corresponding period of last year;
- (b) the increase in personnel costs to approximately HK\$248.0 million for the Period from approximately HK\$202.4 million for the corresponding period in 2020 is mainly attributable to organization expansion to facilitate continued rapid growth of CYBEX globally; and
- (c) stable in other administrative expenses.

## **Other Expenses**

Other expenses of the Group decreased to approximately HK\$7.6 million for the Period from approximately HK\$14.2 million for the corresponding period in 2020. Other expenses mainly consist of loss on disposal of property, plant and equipment, foreign exchange losses and other losses.

## **Operating Profit**

As a result of the foregoing, the Group's operating profit increased by approximately 20.8%, or HK\$26.1 million, to approximately HK\$151.5 million for the Period from approximately HK\$125.4 million for the corresponding period in 2020.

## **Finance Income**

For the Period, the Group's finance income increased by approximately HK\$3.9 million to approximately HK\$16.0 million for the Period from approximately HK\$12.1 million for the corresponding period of 2020. The Group's finance income mainly comprises interest income from bank deposits.

## **Finance Costs**

For the Period, the Group's finance costs decreased by approximately HK\$23.4 million, or 33.9%, to approximately HK\$45.6 million for the Period from approximately HK\$69.0 million for the corresponding period in 2020. The decrease was mainly attributable to a combined effect of a lower interest rate and optimization of loan structure.

## **Profit Before Tax**

As a result of the foregoing, the profit before tax of the Group increased by 77.1% to approximately HK\$120.8 million for the Period from approximately HK\$68.2 million for the corresponding period in 2020.

## **Income Tax**

The Group's income tax expense was approximately HK\$19.6 million for the Period, increased by approximately HK\$5.7 million from approximately HK\$13.9 million for the corresponding period in 2020. 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 Period**

Net profit of the Group increased by 86.4% to approximately HK\$101.2 million for the Period from approximately HK\$54.3 million for the corresponding period in 2020.

## **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 2021 and 2020 to the nearest measures prepared in accordance with IFRS:

<b>For the six months ended 30 June 2021</b>				
	<b>Adjustments</b>			
	<b>As reported</b>	<b>Equity-settled</b>	<b>Amortisation of</b>	<b>Non-GAAP</b>
	<b>(HK\$ million)</b>	<b>share option</b>	<b>intangible assets</b>	<b>(HK\$ million)</b>
		<b>arrangements</b>	<b>and inventory</b>	
		<b>(HK\$ million)</b>	<b>appreciation (a)</b>	
			<b>(HK\$ million)</b>	
Operating profit	<b>151.5</b>	<b>20.0</b>	<b>20.9</b>	<b>192.4</b>
Profit before tax	<b>120.8</b>	<b>20.0</b>	<b>20.9</b>	<b>161.7</b>
Profit for the period	<b>101.2</b>	<b>20.0</b>	<b>15.6</b>	<b>136.8</b>
Operating margin	<b>3.3%</b>			<b>4.2%</b>
Net margin	<b>2.2%</b>			<b>3.0%</b>

<b>For the six months ended 30 June 2020</b>				
	<b>Adjustments</b>			
	<b>As reported</b>	<b>Equity-settled</b>	<b>Amortisation of</b>	<b>Non-GAAP</b>
	<b>(HK\$ million)</b>	<b>share option</b>	<b>intangible assets</b>	<b>(HK\$ million)</b>
		<b>arrangements</b>	<b>and inventory</b>	
		<b>(HK\$ million)</b>	<b>appreciation (a)</b>	
			<b>(HK\$ million)</b>	
Operating profit	125.4	22.5	20.3	168.2
Profit before tax	68.2	22.5	20.3	111.0
Profit for the period	54.3	22.5	15.2	92.0
Operating margin	3.4%			4.5%
Net margin	1.5%			2.5%

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

## Working Capital and Financial Resources

	<b>As at 30 June 2021</b>	As at 31 December 2020
	<i>(HK\$ million)</i>	
Trade and notes receivables (including trade receivables due from related parties)	<b>1,286.0</b>	1,141.2
Trade and notes payables (including trade payables due to a related party)	<b>1,429.1</b>	1,458.7
Inventories	<b>2,087.9</b>	2,061.4
	<b>For the six months ended 30 June 2021</b>	For the year ended 31 December 2020
Trade and notes receivables turnover days <sup>(1)</sup>	<b>47</b>	48
Trade and notes payables turnover days <sup>(2)</sup>	<b>98</b>	108
Inventories turnover days <sup>(3)</sup>	<b>140</b>	156

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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 of trade and note receivables was mainly attributable to increase of revenue. The trade and notes receivables turnover days remained stable.

The overall trade and note payables remained stable. The decrease of trade and note payables turnover days was a result of the increase of cost of sales during the Period.

The overall inventories remained stable. The decrease of inventory turnover days was a result of the increase of cost of sales during the Period.

## Liquidity and Financial Resources

As at 30 June 2021, the Group's monetary assets, including cash and cash equivalents, pledged bank deposits and financial assets at fair value through profit or loss were approximately HK\$1,656.6 million (31 December 2020: approximately HK\$1,725.9 million).

As at 30 June 2021, the Group's interest-bearing bank loans and other borrowings were approximately HK\$2,913.1 million (31 December 2020: approximately HK\$2,772.6 million), including short-term bank loans and other borrowings of approximately HK\$1,936.2 million (31 December 2020: approximately HK\$1,986.9 million) and long-term bank loans and other borrowings with repayment terms ranging from two to three years of approximately HK\$976.9 million (31 December 2020: approximately HK\$785.7 million).

As a result, as at 30 June 2021, the Group's net debt position was approximately HK\$1,256.5 million (31 December 2020: approximately HK\$1,046.7 million).

### **Contingent Liabilities**

In the ordinary course of business, the Group may from time to time be involved in legal proceedings and litigations. The Group records a liability when the Group believes that it is both probable that a loss has been incurred by the Group and the amount can be reasonably estimated. With respect to the Group's outstanding legal matters, notwithstanding that the outcome of such legal matters is inherently unpredictable and subject to uncertainties, the Group believes that, based on its current knowledge, the amount or range of reasonably possible loss will not, either individually or in the aggregate, have a material adverse effect on the Group's business, financial position, results of operations, or cash flows.

As at 30 June 2021, the Group had no material contingent liabilities (as at 31 December 2020: 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 transactions is denominated in various currencies, and the Group uses 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 suffer 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 2021, bank deposits of approximately HK\$20.5 million (31 December 2020: HK\$25.7 million) were pledged for business operation and approximately HK\$240.2 million (31 December 2020: nil) were pledged for a standby letter of credit from a bank. Certain machinery amounting to approximately HK\$8.2 million (31 December 2020: HK\$10.8 million) was pledged to secure bank loan granted to the Group.

## **Gearing Ratio**

As at 30 June 2021, 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) less monetary assets; the amount of the adjusted capital is calculated by equity attributable to owners of the parent less hedging reserve) was approximately 37.6% (as at 31 December 2020: approximately 37.4%), or 39.1% after taking into consideration the impact of IFRS 16 (as at 31 December 2020: approximately 38.9%).

## **Employees and Remuneration Policy**

As at 30 June 2021, the Group had a total of 8,909 full-time employees (31 December 2020: 9,375). For the Period, costs of employees, excluding directors' emoluments, amounted to a total of approximately HK\$926.0 million (for the corresponding period of 2020: approximately HK\$761.4 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 (the "**2010 Share Option Scheme**") to incentivize or reward eligible participants for their contribution to the Group for the purpose of motivating the eligible participants to optimize their performance efficiency for the benefit of the Group, and attracting and retaining or otherwise maintaining on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.

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

As at 31 December 2020, there were 140,706,500 outstanding share options in total under the 2010 Share Option Scheme and the 2020 Share Option Scheme. As at 30 June 2021, there were 139,426,500 outstanding share options in total under the 2010 Share Option Scheme and the 2020 Share Option Scheme.

## **Significant Acquisition, Disposal or Investment**

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

## **OTHER INFORMATION**

### **Events After the Reporting Period**

On 13 April 2021, the Group entered into a facility agreement (the “**Loan Facility**”) with a financial institution in respect of a US\$165 million term loan facility with a term of 36 months from the first utilization date, for the purpose of refinancing certain existing bank loans as well as funding the Group’s general corporate usages. For further details, please also refer to the announcement of the Company dated 13 April 2021.

In July 2021, the Group withdrew and utilized an amount of US\$100 million (approximately HK\$776 million) from the Loan Facility, and fully settled the existing outstanding balance of the term loan facility under the facility agreement entered into on 16 July 2018 amounting to US\$84.8 million (approximately HK\$658 million).

### **Purchase, Sale or Redemption of Shares**

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

### **Dividends**

The Board does not recommend payment of any dividend for the Period (six months ended 30 June 2020: 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 been made specific enquiries by the Company, all Directors 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 information of the Group for the Period have been reviewed by the Audit Committee.

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

## **Publication of Interim Report**

This interim results announcement is published on the websites of the Stock Exchange (<http://www.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 despatched to shareholders of the Company and made available for review on the same websites in due course.

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

Hong Kong, 23 August 2021

*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.*