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Goodbaby

International

Goodbaby International Holdings Limited

好孩子國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1086)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

Financial Highlights	For the year ended 31 December		Year-on-year change
	2021	2020	
	<i>(HK\$ in millions, unless specified)</i>		
Revenue	9,692.1	8,305.0	16.7%
Gross profit	3,995.2	3,668.1	8.9%
Operating profit ¹	166.0	430.0	-61.4%
Non-GAAP ² operating profit	240.6	576.3	-58.3%
Profit for the year	127.6	257.9	-50.5%
Non-GAAP profit for the year	192.4	382.4	-49.7%
Profit for the year attributable to owners of the parent	123.8	256.6	-51.8%
EPS (HK\$)			
– basic	0.07	0.15	-53.3%
– diluted	0.07	0.15	-53.3%

¹ Operating profit represents the total sum of gross profit, other income and gains, less 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 (the "Directors") of Goodbaby International Holdings Limited (the "Company", together with its subsidiaries, the "Group") announces the consolidated results of the Group for the year ended 31 December 2021 (the "Period"), together with the comparative figures for the year ended 31 December 2020 as below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 (HK\$'000)	2020 (HK\$'000)
Revenue	4	9,692,137	8,304,967
Cost of sales		<u>(5,696,909)</u>	<u>(4,636,930)</u>
Gross profit		3,995,228	3,668,037
Other income and gains	4	80,800	90,048
Selling and distribution expenses		(2,476,241)	(2,131,438)
Administrative expenses		(1,426,458)	(1,145,615)
Other expenses		(7,266)	(50,972)
Finance income	5	35,074	5,956
Finance costs	6	(90,594)	(114,068)
Share of profits and losses of:			
– Joint ventures		1,277	(1,143)
– An associate		<u>(8)</u>	<u>(105)</u>
PROFIT BEFORE TAX	7	111,812	320,700
Income tax credit/(expense)	8	15,749	(62,780)
PROFIT FOR THE YEAR		<u>127,561</u>	<u>257,920</u>
Attributable to:			
Owners of the parent		123,817	256,574
Non-controlling interests		<u>3,744</u>	<u>1,346</u>
		127,561	257,920
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE PARENT:	10		
Basic			
For profit for the year (HK\$)		<u>0.07</u>	<u>0.15</u>
Diluted			
For profit for the year (HK\$)		<u>0.07</u>	<u>0.15</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 (HK\$'000)	2020 (HK\$'000)
PROFIT FOR THE YEAR	127,561	257,920
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>		
Cash flow hedges		
Effective portion of changes in fair value of hedging instruments arising during the year	24,044	8,692
Reclassification adjustments for gains included in the consolidated statement of profit or loss	(12,807)	(5,890)
Income tax effect	(1,948)	(326)
	9,289	2,476
Exchange differences on translation of foreign operations	143,048	397,393
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	152,337	399,869
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Actuarial gains of defined benefit plans	489	1,219
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	489	1,219
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	152,826	401,088
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	280,387	659,008
Attributable to:		
Owners of the parent	275,959	655,367
Non-controlling interests	4,428	3,641
	280,387	659,008

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	31 December 2021 (HK\$'000)	31 December 2020 (HK\$'000)
NON-CURRENT ASSETS			
Property, plant and equipment		1,031,631	1,033,485
Right-of-use assets		336,549	256,844
Goodwill		2,812,866	2,763,595
Other intangible assets		2,281,555	2,287,136
Investments in joint ventures		6,513	5,070
Investment in an associate		–	2,243
Deferred tax assets		85,109	98,237
Pledged deposits		1,152,021	–
Other long-term assets		11,294	11,328
		<hr/>	<hr/>
Total non-current assets		7,717,538	6,457,938
CURRENT ASSETS			
Inventories	<i>11</i>	2,402,801	2,061,439
Trade and notes receivables	<i>12</i>	1,247,410	1,134,657
Prepayments and other receivables		641,951	464,690
Due from related parties		6,775	6,532
Financial assets at fair value through profit or loss		17,824	6,994
Cash and cash equivalents		1,087,413	1,693,152
Pledged deposits		9,454	25,702
Derivative financial instruments	<i>13</i>	40,546	17,683
		<hr/>	<hr/>
Total current assets		5,454,174	5,410,849
CURRENT LIABILITIES			
Trade and bills payables	<i>14</i>	1,636,633	1,455,446
Other payables and accruals		905,027	908,563
Income tax payable		39,483	27,491
Provision		99,003	54,547
Interest-bearing bank loans and other borrowings	<i>15</i>	1,223,104	1,986,869
Lease liabilities		98,979	95,600
Derivative financial instruments	<i>13</i>	4,260	6,003
Due to related parties		604	3,227
Defined benefit plan liabilities		337	388
		<hr/>	<hr/>
Total current liabilities		4,007,430	4,538,134
NET CURRENT ASSETS		<hr/>	<hr/>
		1,446,744	872,715
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		9,164,282	7,330,653

	<i>Note</i>	31 December 2021 (HK\$'000)	31 December 2020 (HK\$'000)
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	15	2,294,380	785,735
Provision		53,870	63,559
Defined benefit plan liabilities		3,534	4,232
Other liabilities		2,129	1,872
Lease liabilities		201,925	123,177
Deferred tax liabilities		510,940	570,509
		<hr/>	<hr/>
Total non-current liabilities		3,066,778	1,549,084
		<hr/>	<hr/>
Net assets		6,097,504	5,781,569
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital		16,680	16,680
Reserves		6,044,271	5,732,764
		<hr/>	<hr/>
		6,060,951	5,749,444
		<hr/>	<hr/>
Non-controlling interests		36,553	32,125
		<hr/>	<hr/>
Total equity		6,097,504	5,781,569
		<hr/>	<hr/>

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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

The Group is principally engaged in design, research and development ("R&D"), manufacturing, marketing and distribution of products for children.

Information about subsidiaries

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

Name of company	Place and date of incorporation/ registration and place of operation	Percentage of equity interest attributable to the Company		Issued ordinary/ registered share capital	Principal activities
		Direct	Indirect		
Subsidiaries					
Goodbaby (Hong Kong) Limited ("GBHK")	Hong Kong, 23 July 1999	100%	–	HK\$1,001	Investment holding and sales agent company
Goodbaby Child Products Co., Ltd. ("GCPC") (Note (a), (b) and (c))	The People's Republic of China ("PRC"), 18 November 1994	–	100%	United States Dollar ("US\$") 63,000,000	Manufacture, distribution and sale of safety belts, cloth sets, car safety seats, car components for children, infant strollers and bicycles
Ningbo Goodbaby Child Products Co., Ltd. ("GCPN") (Note (a) and (b))	PRC, 9 September 1996	–	85%	RMB10,000,000	Manufacture, distribution and sale of child cloth beds, infant strollers, bath chairs for children and stadium chairs
Paragon Child Product Co., Ltd. ("PCPC") (Note (a), (b) and (c))	PRC, 5 November 2008	–	100%	US\$1,430,000	Manufacture, distribution and sale of bicycles, sports utilities, e-cars and wooden products
Pingxiang Goodbaby Child Products Co., Ltd. ("GCPX") (Note (a) and (b))	PRC, 26 December 2011	–	100%	RMB2,000,000	Manufacture, distribution and sale of child cloth beds, infant strollers, bath chairs for children and stadium chairs
EQO Testing and Certification Services Co., Ltd. ("EQTC") (Note (a) and (b))	PRC, 30 November 2012	–	100%	RMB50,000,000	Testing of children's products, tools, electronic products and advisory service for risk valuation of product quality
Serena Merger Co., Inc. ("SERE")	U.S., 28 May 2014	–	100%	US\$1,000	Investment holding

Name of company	Place and date of incorporation/ registration and place of operation	Percentage of equity interest attributable to the Company		Issued ordinary/ registered share capital	Principal activities
		Direct	Indirect		
Subsidiaries					
Evenflo Company, Inc. ("EFCD")	U.S., 1 October 1992	–	100%	US\$86,500	Manufacture, distribution and sale of car safety seats, infant strollers and baby related products
Muebles Para Ninos De Baja, S.A. De C.V. ("EFMX")	Mexico, 29 June 1987	–	100%	Peso1,720,000	Manufacture of baby related products
Goodbaby Canada Inc. ("EFCA")	Canada, 18 March 1991	–	100%	US\$7,000	Distribution and sale of baby related products
Columbus Trading-Partners GmbH & Co. KG ("CTPE")	Germany, 26 February 2016	–	100%	Euro("EUR")100	Distribution and sale of car safety seats, infant strollers and other parenting products
Goodbaby Czech Republic s.r.o. ("GBCZ")	Czech Republic, 8 February 2016	–	100%	CZK200,000	IT services and a share service centre
Goodbaby (Europe) GmbH & Co KG ("GEGC")	Germany, 28 January 2014	–	100%	EUR100	Investment holding
Cybex GmbH ("CBGM")	Germany, 5 March 2014	–	100%	EUR33,400	Purchase, sale, holding and management of participating interests and development and production of child car-seats, strollers, child carrying systems, pushchairs, high chairs and other products for children
GB GmbH ("GBGM")	Germany, 21 August 2015	–	100%	EUR25,000	Purchase, sale, holding and management of participating interests and development and production of child car-seats, strollers, child carrying systems, pushchairs, high chairs and other products for children
Columbus TradingPartners USA Inc. ("CBUS")	U.S., 24 November 2014	–	100%	US\$1	Distribution and sale of car safety seats, infant strollers and other parenting products
Columbus Trading Partners Japan Limited ("CBJP")	Japan, 20 February 2018	–	80%	JPY2,200,000	Distribution and sale of car safety seats, infant strollers and other parenting products

Name of company	Place and date of incorporation/ registration and place of operation	Percentage of equity interest attributable to the Company		Issued ordinary/ registered share capital	Principal activities
		Direct	Indirect		
Subsidiaries					
Cybox Retail GmbH ("CBRG")	Germany, 20 October 2020	–	100%	EUR25,000	Wholesale and retail of children's products
Goodbaby (China) Retail & Service Company ("GRCN") (Note (a), (b) and (c))	PRC, 11 May 2016	–	100%	RMB50,000,000	Wholesale and retail of children's products
Shanghai Goodbaby Children Fashion Co., Ltd. ("SHFS") (Note (a) and (b))	PRC, 20 January 1998	–	100%	RMB20,000,000	Distribution and retail business of children's products
Goodbaby Nantong Fashion Co., Ltd. ("NTFS") (Note (a) and (b))	PRC, 19 March 2015	–	80%	RMB10,000,000	Wholesale and retail of children's products

Note (a) Limited liability companies established in the PRC

Note (b) English names for identification only

Note (c) Registered as a wholly-foreign-owned enterprise in the PRC

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 9, IAS 39 and IFRS 7 IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The nature and the 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 borrowings denominated in United States dollars (“US\$”) based on the London Interbank Offered Rate (“LIBOR”) and in EUR based on the Euro Interbank Offer Rate (“EURIBOR”) as at 31 December 2021. For the LIBOR-based borrowings and EURIBOR-based borrowings, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings and interest rate swap are replaced by RFRs in a future period, the Group will apply this the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met.

- (b) Amendment to IFRS 16 issued in April 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 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 year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 31 December 2022 as a direct consequence of the COVID-19 pandemic. A reduction in the lease payments arising from the rent concessions of HK\$97,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2021.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) the 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) the 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) the non-durable products segment, which includes maternity and baby-care products and apparel and home textile products; and
- (d) the "others" segment, which engages in the research, design, manufacture and sale of other children's products under the Group's own brands and third parties' brands.

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

Year ended 31 December 2021

	Strollers and accessories (HK\$'000)	Car seats and accessories (HK\$'000)	Non-durable products (HK\$'000)	Others (HK\$'000)	Consolidated (HK\$'000)
Segment revenue					
Sales to external customers	3,704,420	3,230,932	1,393,976	1,362,809	9,692,137
Segment results	1,593,134	1,396,589	615,444	390,061	3,995,228
Other income and gains					80,800
Corporate and other unallocated expenses					(3,911,977)
Other expenses					(7,266)
Finance income					35,074
Finance costs (other than interest on lease liabilities)					(81,316)
Share of profits and losses of joint ventures					1,277
Share of profits and losses of an associate					(8)
Profit before tax					111,812
Other segment information:					
Impairment losses recognised in the statement of profit or loss, net	883	2,844	4,262	(575)	7,414
Depreciation and amortisation	197,267	189,596	62,302	51,183	500,348

Year ended 31 December 2020

	Strollers and accessories (HK\$'000)	Car seats and accessories (HK\$'000)	Non-durable products (HK\$'000)	Others (HK\$'000)	Consolidated (HK\$'000)
Segment revenue					
Sales to external customers	2,779,713	2,695,213	1,524,610	1,305,431	8,304,967
Segment results	1,313,266	1,245,272	661,664	447,835	3,668,037
Other income and gains					90,048
Corporate and other unallocated expenses					(3,286,920)
Other expenses					(50,972)
Finance income					5,956
Finance costs (other than interest on lease liabilities)					(104,201)
Share of profits and losses of joint ventures					(1,143)
Share of profits and losses of an associate					(105)
Profit before tax					320,700
Other segment information:					
Impairment losses recognised in the statement of profit or loss, net	3,588	(1,963)	1,677	1,326	4,628
Depreciation and amortisation	176,447	172,181	63,098	53,784	465,510

Geographical information

(a) Revenue from external customers

	European market <i>(HK\$'000)</i>	North America market <i>(HK\$'000)</i>	Mainland China market <i>(HK\$'000)</i>	Other overseas markets <i>(HK\$'000)</i>	Total <i>(HK\$'000)</i>
Year ended 31 December 2021					
Segment revenue:					
Sales to external customers	<u>3,526,418</u>	<u>3,148,253</u>	<u>2,515,295</u>	<u>502,171</u>	<u>9,692,137</u>
Year ended 31 December 2020					
Segment revenue:					
Sales to external customers	<u>2,544,738</u>	<u>2,619,957</u>	<u>2,670,910</u>	<u>469,362</u>	<u>8,304,967</u>

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

(b) Non-current assets

	2021 <i>(HK\$'000)</i>	2020 <i>(HK\$'000)</i>
Mainland China	5,536,212	4,243,555
North America	989,234	1,024,665
Europe	1,089,176	1,072,841
	<u>7,614,622</u>	<u>6,341,061</u>

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

Information about a major customer

During the year ended 31 December 2021, revenue from sales to a major customer of third party is HK\$979,716,000 (2020: HK\$820,669,000). 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:

	2021 <i>(HK\$'000)</i>	2020 <i>(HK\$'000)</i>
<i>Revenue from contracts with customers</i>		
Sale of goods	9,657,536	8,277,221
Rendering of testing services	34,601	27,746
	9,692,137	8,304,967

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2021

Segments	Strollers and accessories <i>HK\$'000</i>	Car seats and accessories <i>HK\$'000</i>	Non-durable products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Type of goods or services					
Sale of goods	3,704,420	3,230,932	1,393,976	1,328,208	9,657,536
Rendering of testing services	–	–	–	34,601	34,601
Total revenue from contracts with customers	<u>3,704,420</u>	<u>3,230,932</u>	<u>1,393,976</u>	<u>1,362,809</u>	<u>9,692,137</u>
Timing of revenue recognition					
Goods transferred at a point in time	3,704,420	3,230,932	1,393,976	1,328,208	9,657,536
Services transferred at a point in time	–	–	–	34,601	34,601
Total revenue from contracts with customers	<u>3,704,420</u>	<u>3,230,932</u>	<u>1,393,976</u>	<u>1,362,809</u>	<u>9,692,137</u>
Revenue from contracts with customers					
External customers	<u>3,704,420</u>	<u>3,230,932</u>	<u>1,393,976</u>	<u>1,362,809</u>	<u>9,692,137</u>

For the year ended 31 December 2020

Segments	Strollers and accessories <i>HK\$'000</i>	Car seats and accessories <i>HK\$'000</i>	Non-durable products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Type of goods or services					
Sale of goods	2,779,713	2,695,213	1,524,610	1,277,685	8,277,221
Rendering of testing services	–	–	–	27,746	27,746
Total revenue from contracts with customers	<u>2,779,713</u>	<u>2,695,213</u>	<u>1,524,610</u>	<u>1,305,431</u>	<u>8,304,967</u>
Timing of revenue recognition					
Goods transferred at a point in time	2,779,713	2,695,213	1,524,610	1,277,685	8,277,221
Services transferred at a point in time	–	–	–	27,746	27,746
Total revenue from contracts with customers	<u>2,779,713</u>	<u>2,695,213</u>	<u>1,524,610</u>	<u>1,305,431</u>	<u>8,304,967</u>
Revenue from contracts with customers					
External customers	<u>2,779,713</u>	<u>2,695,213</u>	<u>1,524,610</u>	<u>1,305,431</u>	<u>8,304,967</u>

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

	2021 <i>(HK\$'000)</i>	2020 <i>(HK\$'000)</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	<u>146,226</u>	<u>135,885</u>

(ii) *Performance obligations*

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

Sale of goods

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

Rendering of testing services

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

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at 31 December 2021 are as follows:

	2021 (HK\$'000)	2020 (HK\$'000)
Amounts expected to be recognised as revenue:		
Within one year	<u>124,755</u>	<u>146,226</u>

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

Other income and gains

	2021 (HK\$'000)	2020 (HK\$'000)
Other income and gains:		
Government grants (<i>note (a)</i>)	53,144	62,313
Gain on sales of scrap materials (<i>note (b)</i>)	10,890	–
Compensation income (<i>note (c)</i>)	7,225	2,626
Fair value gains, net		
Gains on call/put options over non-controlling interests	2,640	2,603
Derivative instruments – transactions not qualifying as hedges	1,249	2,000
Gain on wealth investment products (<i>note (d)</i>)	841	17,752
Others	<u>4,811</u>	<u>2,754</u>
Total	<u>80,800</u>	<u>90,048</u>

Note (a): The amount represents subsidies received from local government authorities in connection with certain financial support to local business enterprises. These government subsidies mainly comprised subsidies for export activities, subsidies for development, subsidies to support operations during the covid-19 and other miscellaneous subsidies and incentives for various purposes.

Note (b): The amount represents the gain on sales of aluminium, plastics, cloth and other scrap materials.

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.

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

5. FINANCE INCOME

	2021 (HK\$'000)	2020 (HK\$'000)
Interest income on bank deposits	<u>35,074</u>	<u>5,956</u>

8. INCOME TAX

The Company and its subsidiaries incorporated in the Cayman Islands and the British Virgin Islands (“**BVI**”), 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 year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (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%.

State income tax and federal income tax of the Group’s subsidiary in the United States have been provided for at the rates of state income tax and federal income tax on the estimated assessable profits of the subsidiary during the year. The state income tax rates are 2.5% to 9.99% in the respective states in which the subsidiary operates, and the federal income tax rate was lowered to 21% effective from 1 January 2018, as a result of U.S. tax reform enacted in December 2017.

The Group’s subsidiary registered in Japan is subject to income tax based on the taxable income at rates ranging from 15% to 23.2% on a progressive basis.

The Group’s subsidiaries registered in Germany are subject to corporation tax based on the taxable income at the rate of 15.825% and trade income tax on the taxable income at rates ranging from 12.95% to 17%.

The Group’s subsidiaries registered in Denmark are subject to income tax based on the taxable income at the rate of 22%.

The Group’s subsidiary registered in the Czech Republic is subject to income tax based on the taxable income at the rate of 19%.

All of the Group’s subsidiaries registered in the People’s Republic of China (the “**PRC**”), which only have operations in Mainland China, are subject to PRC enterprise income tax (“**EIT**”) on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws, at the rate of 25%.

Pursuant to relevant tax rules under the EIT Law and with the approval from the relevant tax authorities in the PRC, 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:

	2021 <i>(HK\$'000)</i>	2020 <i>(HK\$'000)</i>
Current – income tax		
Charge for the year	38,516	42,953
Deferred income tax	(54,265)	19,827
	<hr/>	<hr/>
Income tax (credit)/expense reported in the statement of profit or loss	(15,749)	62,780
	<hr/>	<hr/>

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

	2021 <i>(HK\$'000)</i>	2020 <i>(HK\$'000)</i>
Profit before tax	111,812	320,700
Expected income tax based on different rates applicable to profits in the countries covered	3,782	70,918
Temporary difference and tax losses not recognized	4,115	12,201
Tax credit arising from additional deduction of R&D expenditures of PRC subsidiaries	(29,140)	(17,526)
Tax effect on non-taxable income	(1,164)	(11,231)
Tax effect on non-deductible expenses	6,658	8,418
	<hr/>	<hr/>
Income tax (credit)/expense	(15,749)	62,780
	<hr/>	<hr/>

9. DIVIDENDS

The Board did not recommend the payment of any dividend for the years ended 31 December 2021 and 2020.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,668,027,659 in issue during the year (2020: 1,668,023,166).

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

The calculation of earnings per share is based on:

	2021 <i>(HK\$'000)</i>	2020 <i>(HK\$'000)</i>
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>123,817</u>	<u>256,574</u>
	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,668,027,659	1,668,023,166
Effect of dilution - weighted average number of ordinary shares: Share options	<u>1,738,426</u>	<u>–</u>
Total	<u>1,669,766,085</u>	<u>1,668,023,166</u>
11. INVENTORIES		
	2021 <i>(HK\$'000)</i>	2020 <i>(HK\$'000)</i>
Raw materials	341,062	327,355
Work in progress	59,372	46,705
Finished goods	<u>2,002,367</u>	<u>1,687,379</u>
	<u>2,402,801</u>	<u>2,061,439</u>
12. TRADE AND NOTES RECEIVABLES		
	2021 <i>(HK\$'000)</i>	2020 <i>(HK\$'000)</i>
Trade receivables	1,282,135	1,163,236
Notes receivable	<u>–</u>	<u>2,905</u>
	1,282,135	1,166,141
Impairment of trade receivables	<u>(34,725)</u>	<u>(31,484)</u>
	<u>1,247,410</u>	<u>1,134,657</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is up to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

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

	2021 <i>(HK\$'000)</i>	2020 <i>(HK\$'000)</i>
Within 3 months	1,171,109	1,064,257
3 to 6 months	39,751	39,776
6 months to 1 year	30,388	18,433
Over 1 year	6,162	9,286
	1,247,410	1,131,752

The movements in the loss allowance for impairment of trade receivables are as follows:

	2021 <i>(HK\$'000)</i>	2020 <i>(HK\$'000)</i>
At beginning of year	31,484	28,164
Impairment losses, net	4,474	1,431
Exchange realignment	(1,233)	1,889
At end of year	34,725	31,484

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

13. DERIVATIVE FINANCIAL INSTRUMENTS

	2021	
	Assets (HK\$'000)	Liabilities (HK\$'000)
Forward currency contracts – designated as hedging instruments	40,546	4,260
	2020	
	Assets (HK\$'000)	Liabilities (HK\$'000)
Forward currency contracts – designated as hedging instruments	17,683	6,003

Cash flow hedge – Foreign currency risk

Forward currency contracts are designated as hedging instruments in respect of forecasted routine intragroup sales in foreign currencies. The forward currency contract balances vary with the levels of expected foreign currency sales and changes in foreign exchange forward rates.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the forecasted sales and purchases and the hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments

The Group holds the following foreign exchange forward contracts:

	Maturity					
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	Total
As at 31 December 2021						
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	70,186	70,186	70,186	70,186	–	280,744
Average forward rate (US\$/RMB)	6.4161	6.4568	6.4973	6.5372	–	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	222,358	–	–	–	–	222,358
Average forward rate (EUR/RMB)	8.2712	–	–	–	–	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	27,788	38,734	41,260	47,155	14,315	169,252
Average forward rate (GBP/EUR)	1.0604	0.9311	0.8619	0.8653	0.8680	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	4,000	5,732	6,209	6,090	2,090	24,121
Average forward rate (CHF/EUR)	0.9432	0.9437	0.9443	0.9447	0.9449	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	18,430	23,526	23,953	24,569	23,811	114,289
Average forward rate (EUR/JPY)	0.0077	0.0078	0.0078	0.0077	0.0077	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	7,592	–	–	–	–	7,592
Average forward rate (PLN/EUR)	0.2206	–	–	–	–	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	4,910	–	–	–	–	4,910
Average forward rate (EUR/GBP)	1.117	–	–	–	–	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	4,950	6,806	7,424	8,662	1,856	29,698
Average forward rate (NOK/EUR)	0.1004	0.1001	0.0996	0.0991	0.0987	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	7,688	–	–	–	–	7,688
Average forward rate (EUR/PLN)	0.2206	–	–	–	–	

	Maturity					Total
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	9,049	15,081	14,478	15,685	4,223	58,516
Average forward rate (SEK/EUR)	0.1002	0.1001	0.0999	0.0998	0.0997	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	35,093	35,093	35,093	11,698	–	116,977
Average forward rate (US\$/CAD)	1.2382	1.2395	1.2422	1.2432	–	

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

	Notional amounts (HK\$'000)	Carrying amounts (HK\$'000)	Line item in the statement of financial position
As at 31 December 2021			
Foreign currency forward contracts	831,908	40,546	Derivative financial instruments (assets)
Foreign currency forward contracts	201,061	(4,260)	Derivative financial instruments (liabilities)

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

	Change in fair value used for measuring hedge ineffectiveness for the year (HK\$'000)	Hedging reserve (HK\$'000)
As at 31 December 2021		
Highly probable forecast sales	26,997	9,289

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

	Total hedging gains/(losses) recognised in other comprehensive income			Hedge ineffectiveness recognised in profit or loss	Line item in the statement of profit or loss	Amounts reclassified from other comprehensive income to profit or loss			Line item (gross amount) in the statement of profit or loss
	Gross amounts			Total		Gross amounts			
	(HK\$'000)	Tax effects (HK\$'000)	(HK\$'000)			(HK\$'000)	(HK\$'000)	Tax effects (HK\$'000)	
As at 31 December 2021									
Highly probable forecast sales	24,044	(3,861)	20,183	1,249	Other income and gains	(12,807)	1,913	(10,894)	Revenue

14. TRADE AND BILLS PAYABLES

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

	2021 (HK\$'000)	2020 (HK\$'000)
Within 3 months	1,368,263	1,186,600
3 to 12 months	261,248	261,273
1 to 2 years	3,297	5,332
2 to 3 years	3,074	1,483
Over 3 years	751	758
	<u>1,636,633</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 bills payables approximate to their fair values due to their short term maturity.

15. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

		As at 31 December 2021		As at 31 December 2020	
		Maturity	HK\$'000	Maturity	HK\$'000
Current					
Bank overdrafts – secured	Note (a)	2022	301,238	2021	291,772
Bank overdrafts – unsecured	Note (a)	2022	156	2021	283
Current portion of long-term bank loans – unsecured		2022	489,357		–
Current portion of long-term bank loans – secured	Note (b)		–	2021	1,690,214
Bank borrowings – secured	Note (b)	2022	334,013	2021	4,135
Bank borrowings – unsecured		2022	97,872		–
Promissory note	Note (c)	2022	468	2021	465
			<u>1,223,104</u>		<u>1,986,869</u>
Non-current					
Bank borrowings – secured	Note (b)	2023-2024	2,294,380	2022-2023	548,187
Bank borrowings – unsecured			–	2022	237,083
Promissory note	Note (c)		–	2022	465
			<u>2,294,380</u>		<u>785,735</u>
Total			<u>3,517,484</u>		<u>2,772,604</u>

Note (a): The bank overdraft facilities amounted to HK\$383,832,000 of which HK\$301,394,000 had been utilised as at the end of the reporting period. The bank overdraft facilities are revolving facilities with no termination date.

Note (b): As at 31 December 2021, certain of the Group's bank loans are secured by:

- (i) standby letters of credit and letters of guarantee from certain banks issued by a subsidiary of the Group;
- (ii) the guarantee from the Company;
- (iii) certain machinery amounting to HK\$5,834,000; and
- (iv) the pledge of certain of the Group's time deposits amounting to HK\$330,316,000.

As at 31 December 2020, certain of the Group's bank loans are secured by:

- (i) a standby letter of credit from certain banks issued by a subsidiary of the Group;
- (ii) the guarantee from the Company and a subsidiary of the Group; and
- (iii) certain machinery amounting to HK\$10,810,000.

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

Note (d): The effective interest rates of the bank loans and other borrowings range from 0.59% to 3.1% (2020: 1.05% to 6%).

	Group	
	2021	2020
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year	1,223,104	1,986,869
In the second year	220,062	774,925
In the third to fifth years, inclusive	2,074,318	10,810
	3,517,484	2,772,604

16. SHARE OPTION SCHEME

The share option scheme adopted by the Company on 5 November 2010 (the “**2010 Share Option Scheme**”) was terminated and a new one was adopted by the Company following the termination of the 2010 Share Option Scheme on the annual general meeting of the Company held on 25 May 2020 (the “**2020 Share Option Scheme**”).

The purpose of the share options schemes is to motivate the eligible participants to optimise their performance efficiency for the benefit of the Group; and attract and retain or otherwise maintain on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group. Eligible participants of the share option schemes include full-time or part-time employees, executives or officers of the Company or any of its subsidiaries, any Directors (including non-executive and independent non-executive Directors) of the Company or any of its subsidiaries and advisers, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries as described in the share option schemes. The 2010 Share Option Scheme and the 2020 Share Option Scheme both have a term of 10 years. Upon termination of the 2010 Share Option Scheme mentioned above, no further options may be granted thereunder but the provisions of the 2010 Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior to the termination.

The maximum number of share options originally permitted to be granted under the 2010 Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at 28 May 2018. The maximum number of share options currently permitted to be granted under the 2020 Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at 25 May 2020. The maximum number of shares issuable under share options to each eligible participant under the 2010 Share Option Scheme and 2020 Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue as at the date on which the share options are granted to the relevant eligible participants. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

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

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

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

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

On 19 June 2020, the Board announced that the Company shall allow holders of the existing share options (the "**Existing Share Options**") granted on 28 August 2017, 27 March 2018, 28 May 2018 and 23 May 2019 under the 2010 Share Option Scheme to exchange their Existing Share Options for new share options to be granted under the 2020 Share Option Scheme. As at 19 June 2020, none of the above share options was vested.

A total of 96,650,000 Existing Share Options were cancelled under the 2010 Share Option Scheme and replaced by a total of 26,084,500 new share options with an exercise price of HK\$0.96 per share under the 2020 Share Option Scheme (the "Replacement Options").

The exchange ratio of the Replacement Options to Existing Share Options were based on their fair values on the modification date, i.e. 19 June 2020.

(a) 2010 Share Option Scheme

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

	Weighted average exercise price <i>HK\$ per share</i>	Number of options <i>'000</i>
At 1 January 2020	4.087	211,280
Cancelled during the year	4.200	(96,650)
Forfeited during the year	4.068	<u>(5,550)</u>
At 31 December 2020 and 1 January 2021	3.984	109,080
Forfeited during the year	3.750	<u>(2,400)</u>
At 31 December 2021	3.989	<u>106,680</u>

No share options were exercised or cancelled during the years ended 31 December 2021 and 2020.

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

2021

Number of options '000	Exercise price <i>HK\$ per share</i>	Exercise period
7,594	3.58	29 September 2017 to 28 September 2024
9,092	3.58	29 September 2018 to 28 September 2024
8,393	3.58	29 September 2019 to 28 September 2024
3,267	3.75	7 October 2018 to 6 October 2025
3,267	3.75	7 October 2019 to 6 October 2025
3,267	3.75	7 October 2020 to 6 October 2025
6,300	4.54	27 September 2020 to 27 March 2028
9,450	4.54	27 September 2021 to 27 March 2028
15,750	4.54	27 September 2022 to 27 March 2028
720	5.122	28 May 2021 to 27 May 2028
1,080	5.122	28 May 2022 to 27 May 2028
1,800	5.122	28 May 2023 to 27 May 2028
7,340	3.75	23 May 2022 to 22 May 2029
11,010	3.75	23 May 2023 to 22 May 2029
18,350	3.75	23 May 2024 to 22 May 2029
<hr/>		
106,680		
<hr/>		

2020

Number of options '000	Exercise price <i>HK\$ per share</i>	Exercise period
7,594	3.58	29 September 2017 to 28 September 2024
9,092	3.58	29 September 2018 to 28 September 2024
8,393	3.58	29 September 2019 to 28 September 2024
3,400	3.75	7 October 2018 to 6 October 2025
3,400	3.75	7 October 2019 to 6 October 2025
3,400	3.75	7 October 2020 to 6 October 2025
6,300	4.54	27 September 2020 to 27 March 2028
9,450	4.54	27 September 2021 to 27 March 2028
15,750	4.54	27 September 2022 to 27 March 2028
720	5.122	28 May 2021 to 27 May 2028
1,080	5.122	28 May 2022 to 27 May 2028
1,800	5.122	28 May 2023 to 27 May 2028
7,741	3.75	23 May 2022 to 22 May 2029
11,610	3.75	23 May 2023 to 22 May 2029
19,350	3.75	23 May 2024 to 22 May 2029
<hr/>		
109,080		
<hr/>		

(b) **2020 Share Option Scheme**

	Weighted average exercise price <i>HK\$ per share</i>	Number of options <i>'000</i>
At 1 January 2020	–	–
Granted and accepted during the year	0.969	<u>31,627</u>
At 31 December 2020 and 1 January 2021	0.969	31,627
Forfeited during the year	0.988	(2,200)
Exercised during the year	0.960	<u>(8)</u>
At 31 December 2021	0.966	<u>29,419</u>

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

2021

Number of options <i>'000</i>	Exercise price <i>HK\$ per share</i>	Exercise period
280	0.96	28 August 2020 to 27 August 2027
93	0.96	28 August 2021 to 27 August 2027
93	0.96	28 August 2022 to 27 August 2027
2,174	0.96	27 September 2020 to 27 March 2028
3,262	0.96	27 September 2021 to 27 March 2028
5,316	0.96	27 September 2022 to 27 March 2028
216	0.96	28 May 2021 to 27 May 2028
324	0.96	28 May 2022 to 27 May 2028
540	0.96	28 May 2023 to 27 May 2028
2,564	0.96	23 May 2022 to 22 May 2029
3,846	0.96	23 May 2023 to 22 May 2029
6,409	0.96	23 May 2024 to 22 May 2029
860	1.01	11 Dec 2023 to 10 Dec 2030
1,291	1.01	11 Dec 2024 to 10 Dec 2030
<u>2,151</u>	1.01	11 Dec 2025 to 10 Dec 2030
<u>29,419</u>		

2020

Number of options <i>'000</i>	Exercise price <i>HK\$ per share</i>	Exercise period
280	0.96	28 August 2020 to 27 August 2027
280	0.96	28 August 2021 to 27 August 2027
280	0.96	28 August 2022 to 27 August 2027
2,174	0.96	27 September 2020 to 27 March 2028
3,262	0.96	27 September 2021 to 27 March 2028
5,436	0.96	27 September 2022 to 27 March 2028
224	0.96	28 May 2021 to 27 May 2028
336	0.96	28 May 2022 to 27 May 2028
560	0.96	28 May 2023 to 27 May 2028
2,651	0.96	23 May 2022 to 22 May 2029
3,976	0.96	23 May 2023 to 22 May 2029
6,626	0.96	23 May 2024 to 22 May 2029
1,108	1.01	11 December 2023 to 10 Dec 2030
1,663	1.01	11 December 2024 to 10 Dec 2030
2,771	1.01	11 December 2025 to 10 Dec 2030
<hr/>		
31,627		

The Group overall recognised a share option expense of HK\$35,540,000 (2020: HK\$43,209,000) for the year ended 31 December 2021.

The Group did not granted share option for the year ended 31 December 2021. The fair value of the share options granted for the year ended 31 December 2020 was HK\$11,754,000, of which the Group recognised a share option expense of HK\$1,205,000.

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

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

The 8,000 share options exercised during the year resulted in the issue of 8,000 ordinary shares of the Company and new share capital of HK\$80 (before issue expenses).

At the end of the reporting period, the Company had 106,680,000 and 29,419,167 share options outstanding under the 2010 Share Option Scheme and 2020 Share Option Scheme, respectively. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 136,099,167 additional ordinary shares of the Company and additional share capital of HK\$1,361,000 and share premium of HK\$452,707,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 106,580,000 and 28,768,500 share options outstanding under the 2010 Share Option Scheme and 2020 Share Option Scheme respectively, which represented approximately 6.40% and 1.76% of the Company's shares in issue as at that date.

17. EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

HISTORIC RECORD REVENUE AMIDST CHALLENGING COVID-19 RELATED DISRUPTIONS

Throughout the Period, the world continued to be profoundly impacted by lingering impacts from COVID-19 related disruptions. Continued sporadic regional shutdowns, significant shortage of global ocean and inland transportation capacities, dramatic increases in costs of ocean and inland transportation, substantial increases of raw material input costs, weak foreign exchange rates, especially EUR and US\$ against RMB, and the continuously decreasing birth rate in China not only tempered the Group's positive revenue growth momentum, but heavily impacted the Group's overall profitability and operational efficiencies.

Amidst these challenges, the Group took advantage of the chaotic environment and made effective use of its own distribution platforms in key markets, combined with continued extension of its own international wholesale distribution and B2C online retail platforms in key markets resulting in market share gains.

This was a result of leveraging the strength of the Group's vertically integrated "One-Dragon" platform of own brands, omni-channel distribution platforms, own manufacturing and operational services of the Group.

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

1. Historic record revenue during extremely challenging global COVID-19 disruptions and achieving market share gains;
2. Sustained remediation actions taken including product price increases, production-side efficiency improvement, and hedging arrangements of foreign exchange rate to partially offset headwinds in profitability;
3. Successful optimization of loan structure achieved significant saving in the Group's net finance cost during turbulent market conditions and further reinforced our stable liquidity position;
4. Took advantage of the global disruptions by the continued expansion of international omni-channel distribution platforms (wholesale and online retail);
5. Several ground-breaking product innovations drove growth in the Period and will guarantee sustained future growth;
6. Our balanced global footprint minimized risk in any one territory and was a catalyst for a strong competitive advantage resulting in increased market share;
7. Own production and regional supply chain/operations teams functioned as the backbone of our operations during the pandemic period, with minimal or no supply interruptions which fueled our revenue growth.

Our revenue for the Period increased by 16.7% to approximately HK\$9,692.1 million from approximately HK\$8,305.0 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 13.1% increase compared to the corresponding period in 2020. Our reported gross profit increased by 8.9% to approximately HK\$3,995.2 million for the Period from approximately HK\$3,668.1 million for the corresponding period in 2020. Our reported operating profit decreased by 61.4% to approximately HK\$166.0 million from approximately HK\$430.0 million for the corresponding period in 2020 and our reported net profit decreased by 50.5% to approximately HK\$127.6 million for the Period from approximately HK\$257.9 million for the corresponding period in 2020. Additionally, on a non-GAAP basis, our operating profit decreased by 58.3% to approximately HK\$240.6 million for the Period from approximately HK\$576.3 million for the corresponding period in 2020 and our net profit decreased by 49.7% to approximately HK\$192.4 million for the Period from approximately HK\$382.4 million for the corresponding period in 2020.

During the Period, the Group's core Strategic brands recorded an increase of 12.8% in revenue (a 9.3% 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 year ended 31 December						
(HK\$ million)	2021		2020		<i>Change (%)</i>	<i>Change on a constant currency basis (%)</i>
Group Total Revenue	\$9,692.1		\$8,305.0		16.7%	13.1%
Core Strategic Brands Revenue	<i>Amount</i>	<i>% of Revenue</i>	<i>Amount</i>	<i>% of Revenue</i>	<i>Change (%)</i>	<i>Change on a constant currency basis (%)</i>
	<u>\$7,665.7</u>	<u>79.1%</u>	<u>\$6,796.5</u>	<u>81.8%</u>	<u>12.8%</u>	<u>9.3%</u>
CYBEX	3,384.5	34.9%	2,656.8	32.0%	27.4%	24.8%
gb	2,298.6	23.7%	2,472.0	29.8%	-7.0%	-12.9%
Evenflo	1,982.6	20.5%	1,667.7	20.0%	18.9%	17.6%

EXECUTIVE SUMMARY

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

- **CYBEX** brand continued to achieve record revenue with a strong growth of 27.4% (a 24.8% increase on a constant currency basis) in the Period to approximately HK\$3,384.5 million from approximately HK\$2,656.8 million for the corresponding period in 2020. The strong commercial performance was achieved amidst continuing volatilities from COVID-19 and intermittent shortages in product availability caused by global logistics capacity limitations and longer durations of lockdowns in its key markets in EMEA, North America and North Asia. The record achievement, partially offset by shortages of logistic capacities, dramatic increase in logistics costs, foreign exchange rate pressure and inefficiencies from COVID-19 lockdowns, was a result of CYBEX's very strong and enhanced brand position, continued expansion and fortification of omni-channels including national distribution networks, innovative product portfolio (both strollers and car seats) and new launches and strong global operations and supply chain management. Throughout the Period, CYBEX launched a number of new products; the launch of the world's first airbag equipped car seat CYBEX Anoris, the introduction of the sports category with a jogging stroller and bike trailer and constant iteration of its flagship products in wheeled goods of Priam and Mios are some highlights of its disruptive and aggressive product development efforts and commitment to safety, design and function. During the Period, CYBEX continued to receive multiple awards from European consumer testing organizations (e.g. ADAC). CYBEX continued reinforcing its leading position as the premium "technical-lifestyle" brand. We believe CYBEX outperformed competitions and gained market share in all key markets during the Period.
- **gb** brand recorded a decrease in revenue of 7.0% (a 12.9% decrease on a constant currency basis) in the Period to approximately HK\$2,298.6 million from approximately HK\$2,472.0 million for the corresponding period in 2020. In its key China market, gb recorded an expected revenue decrease of 5.8% (12.0% decrease on a constant currency basis). This anticipated revenue decline was primarily a result of a sustained decline in China's birth rate (approximately 12% in 2021 and nearly 45% cumulatively in the past 5 years), as well as impacts on our own offline and wholesale business due to intermittent COVID-19 related store closures and proactive consolidation of wholesale channels and optimization of own retail stores. gb continued to right-size and modernize the omni-channel distribution structure to further address the birth rate decline and rapidly changing consumer behavior. Concrete progress and improvement have emerged, including positive sales performance registered in new-generation self-owned stores opened during the Period and restructured e-commerce model with enhanced content marketing. We expect our progress and improvements to lay a solid foundation for business turnaround in 2022 and long-term sustainable business development. 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, one iF Design Award and one G-MARK design award ("**Best 100**").

- **Evenflo** brand recorded a revenue growth of 18.9% (a 17.6% increase on a constant currency basis) in the Period to approximately HK\$1,982.6 million from approximately HK\$1,667.7 million for the corresponding period in 2020. This achievement represents record revenue for the brand. The positive commercial performance, resulting in market share increases, was mainly driven by strong consumer acceptance of new innovative products introduced to enhance brand image, increasing brand acceptance as an innovative brand and strong focus on its key North America market. Evenflo's overall financial performance was severely impacted by dramatic increase in global supply chain costs, product availability challenges caused by supply chain logistics disruptions, significant rise in raw material input costs and foreign exchange rate pressure of a strong RMB against USD. Evenflo has implemented sustained remediation initiatives to partially offset the temporary headwinds. Evenflo's efforts in innovation and product development was acknowledged and validated by the prominent industry association by receiving the 2021 Juvenile Products Manufacturers Association ("JPMA") Innovation Award.

During the Period, our Blue Chip business recorded a significant revenue increase of 54.0% (a 49.1% increase on a constant currency basis) to approximately HK\$1,535.5 million in the Period as compared to approximately HK\$997.2 million for the corresponding period in 2020. The impressive business performance was mainly driven by strong demand from our Blue Chip customers. The Group continued to provide robust, value-oriented solutions for its key customers. Due to its successful service-oriented business model, the Group further strengthened its long-term partnership with Blue Chip customers. The Blue Chip business remains stable and sound.

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\$490.9 million as compared to approximately HK\$511.4 million in the corresponding period of 2020. The 4.0% decrease (a 7.5% decrease on a constant currency basis) was caused by the COVID-19 impacts combined with continued portfolio rationalization.

OUTLOOK

Our Group platform remains strong and we expect continued growth in both Revenue and Market Share. We have enacted initiatives for a rebound in profitability and will execute planned initiatives to maneuver through dynamics caused by continued COVID-19 related disruptions and likely global economic volatilities fueled by the geopolitical instabilities in Europe.

We will continue our focused strategy in our core Strategic brands of CYBEX, gb and Evenflo and the ongoing development of our Blue Chip business.

Our core Strategic brands are celebrated by consumers across the globe. With a rapidly increasing fan base, we will continue to drive towards deeper engagement with all our fans by continuing to maintain and enhance our brand images, introduce new product innovations through relevant online and offline channels that delight our consumers.

CYBEX will realize strong global revenue growth 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 and expansion of omni-channels (including national distribution platforms) in new geographic territories. A strong focus will be put on improving profitability via remediation initiatives including price increases which will become effective in the second quarter of 2022, combined with strong focus on global logistics and input cost increases. CYBEX is well prepared to rapidly adjust its commercial activities to the new realities of the evolving geopolitical environment in Europe.

gb will continue to focus on the China market. It will strongly focus on profitability by continuing to right-size and modernize the online/offline omni-channel structure, to address further birth rate declines and rapidly changing consumer behaviors. gb will continue its brand upgrade, rapid expansion of digital cloud retail system and social media based channels and its focus on product innovation, technologies and new product launches. We will continue to precisely invest in and execute our digital transformation to strengthen customer engagement in all owned-channels, upgrade our retail store concepts working in concert with our cloud retail system to provide deeper engagement and immersive experience with consumers.

Evenflo will continue to drive strong revenue and market share growth based on strong consumer reception to recent product launches; it will launch new, more profitable products and continue to fulfill new awards of business from major retailers as the brand is being recognized for its commitment to overall brand enhancement and product innovation. There will be a strong focus on improving profitability via remediation initiatives including price increases which will become effective in the second quarter of 2022, combined with solutions to address global logistics and input cost increases. Evenflo will focus on mitigation of logistics disruptions, which are anticipated to linger through 2022. It will also proactively address global geopolitical and economic volatilities as they evolve.

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.

We expect certain continuing sporadic regional shutdowns due to COVID-19 resurgence, continued challenges in global logistics, raw material input costs and foreign exchange rate pressures, likely global economic volatilities due to political instability in Europe and continued birth rate decline in China. Accordingly, we remain vigilant and will implement further necessary proactive measures to ensure the ongoing viability of the Group performance. In the interim, the global environment remains very volatile and dynamic. Any significant resurgence of COVID-19 and/or increased global political and economic volatilities may influence the Group's commercial performance, but our strong global one-dragon vertically integrated 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 16.7% to approximately HK\$9,692.1 million from approximately HK\$8,305.0 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 13.1% increase compared to the corresponding period in 2020.

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

(HK\$ million)	For the year ended 31 December		2020		Change (%)	Change on a constant currency basis (%)
	2021	% of revenue	Revenue	% of revenue		
Group's own brand and retailer private label businesses	8,156.6	84.2	7,307.8	88.0	11.6%	8.2%
– APAC	2,994.6	30.9	3,059.2	36.8	-2.1%	-7.8%
– EMEA	2,979.1	30.8	2,455.2	29.6	21.3%	19.3%
– Americas	2,182.9	22.5	1,793.4	21.6	21.7%	20.1%
Blue Chip business	1,535.5	15.8	997.2	12.0	54.0%	49.1%
Total	9,692.1	100.0	8,305.0	100.0	16.7%	13.1%

The 11.6% increase (8.2% increase on a constant currency basis) of the Group's own brands and retailer private label businesses is the result of continued execution of our long-term sustainable vision and 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\$2,515.3 million in the Period against approximately HK\$2,670.9 million in the corresponding period in 2020, a decrease of 5.8% (a decrease of 12.0% on a constant currency basis). The overall revenue decline in the Period was mainly attributed to anticipated temporary revenue decline of gb as result of the challenges from continuing birth rate decline together with resurgence of COVID-19 in China and continued proactive consolidation of wholesale channels and optimization of retail stores. The revenue from APAC markets outside China increased to approximately HK\$479.3 million in the Period from approximately HK\$388.3 million in the corresponding period of 2020, which was mainly attributable to the active growth of revenue from brand CYBEX.
- In region EMEA, we recorded revenue of approximately HK\$2,979.1 million for the Period, an increase of 21.3% (19.3% on a constant currency basis) from approximately HK\$2,455.2 million for the corresponding period in 2020. The growth in region EMEA was mainly attributable to the increase in revenue from our core Strategic brand CYBEX.

- In region Americas, we recorded revenue of approximately HK\$2,182.9 million in the Period, an increase of 21.7% (20.1% increase on a constant currency basis) from approximately HK\$1,793.4 million for the corresponding period in 2020. The increase was mainly attributable to the increase in revenue from our core Strategic brand Evenflo and the active growth of revenue from brand CYBEX.

During the Period, our Blue Chip business recorded an increase of 54.0% (49.1% increase on a constant currency basis) to approximately HK\$1,535.5 million in the Period as compared to approximately HK\$997.2 million for the corresponding period in 2020. The impressive business performance was mainly driven by strong demand from our Blue Chip customers. The Group continued to provide robust, value-oriented solutions for its key customers. Due to successful cooperation and services provided, the Group further strengthened long-term partnership with Blue Chip customers. Blue Chip business remains stable and sound.

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales increased by 22.9% to approximately HK\$5,696.9 million for the Period from approximately HK\$4,636.9 million for the corresponding period in 2020. Gross profit for the Group increased to approximately HK\$3,995.2 million for the Period from approximately HK\$3,668.1 million for the corresponding period in 2020, and the gross profit margin decreased by 3.0 percentage points to 41.2% for the Period from approximately 44.2% for the corresponding period in 2020. The decrease in gross profit margin was primarily due to:

- dramatic increase in all logistic costs including sea freight, inland and transfer cost, and shortage of logistic capacity;
- substantial increase of input costs of key raw materials; and
- weaker foreign exchange rates, especially EUR and US\$ against the RMB,

partially offset by several mitigating price increase in late 2021, production-side cost efficiency improvement and hedging arrangement.

Other Income and Gains

Other income and gains of the Group decreased by approximately HK\$9.2 million to approximately HK\$80.8 million for the Period as compared to approximately HK\$90.0 million for the corresponding period in 2020, which was mainly attributable to the decrease of government grants and decrease of gain on wealth investment products, partially offset by the increase in gain on sales of scrap materials.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consist of marketing expenses, personnel costs, rental and commission and warehousing and transportation costs. The selling and distribution expenses increased by approximately HK\$344.8 million to approximately HK\$2,476.2 million for the Period from approximately HK\$2,131.4 million for the corresponding period in 2020. The increase was mainly attributable to:

- a) the increase in marketing expenses to approximately HK\$517.9 million for the Period from approximately HK\$409.3 million for the corresponding period in 2020 that generated the revenue growth;
- b) the increase in warehousing and transportation costs to approximately HK\$542.3 million for the Period from approximately HK\$430.3 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\$635.1 million for the Period, from approximately HK\$570.6 million for the corresponding period in 2020, which was mainly attributable to organization expansion of CYBEX to facilitate continued rapid growth of CYBEX globally; and
- d) the increase in rental and commission paid in retail channel to approximately HK\$260.1 million for the Period from approximately HK\$229.3 million for the corresponding period in 2020, which was a combined effect of increased investment on live streaming platforms, foreign exchange translation effect in the Period and rental and commission relief in the corresponding period in 2020.

Administrative Expenses

The Group's administrative expenses primarily consist of personnel costs, R&D costs, professional service expenses, depreciation and amortization cost and other office expenses. The administrative expenses increased by approximately HK\$280.8 million to approximately HK\$1,426.5 million for the Period from approximately HK\$1,145.7 million for the corresponding period in 2020. The increase was mainly due to:

- a) the increase in personnel cost to approximately HK\$574.1 million for the Period from approximately HK\$445.2 million for the corresponding period in 2020, which was a combined effect of foreign exchange translation effect, investment in CYBEX organization for continued future growth together with the effects of personnel cost savings to overcome COVID-19 impacts in the corresponding period in 2020;
- b) the increase in the R&D cost to approximately HK\$418.9 million for the Period from approximately HK\$339.1 million for the corresponding period in 2020, which was mainly due to the resumption of delayed projects impacted by COVID-19;
- c) the increase in the depreciation and amortization cost to approximately HK\$105.2 million for the Period from approximately HK\$78.4 million for the corresponding period in 2020, which was mainly due to investment in CYBEX infrastructure for continued future growth; and
- d) other administrative expenses remaining stable.

Other Expenses

Other expenses of the Group decreased to approximately HK\$7.3 million for the Period from approximately HK\$51.0 million for the corresponding period in 2020. Other expenses of the Group decreased by approximately HK\$43.7 million, which was mainly attributable to the decrease in impairment of property, plant and equipment.

Operating Profit

As a result of the foregoing, the Group's operating profit decreased by approximately 61.4%, or HK\$264.0 million, to approximately HK\$166.0 million for the Period from approximately HK\$430.0 million for the corresponding period in 2020.

Finance Income

For the Period, the Group's finance income increased to approximately HK\$35.1 million from approximately HK\$6.0 million for the corresponding period in 2020. The Group's finance income mainly represents interest income from bank deposits.

Finance Costs

For the Period, the Group's finance costs decreased by approximately HK\$23.5 million to approximately HK\$90.6 million from approximately HK\$114.1 million for the corresponding period in 2020. The decrease was mainly attributable to optimization of loan structure and interest rate.

Profit Before Tax

As a result of the foregoing, the profit before tax of the Group decreased by 65.1% to approximately HK\$111.8 million for the Period from approximately HK\$320.7 million for the corresponding period in 2020.

Income Tax

The Group's income tax was a credit of approximately HK\$15.8 million for the Period, and the income tax expense was approximately HK\$62.8 million for the corresponding period in 2020. The decrease in the amount of income tax was aligned with the decrease of the profit before tax of the Group.

Profit for the Year

Profit of the Group for the Period decreased by 50.5% to approximately HK\$127.6 million from approximately HK\$257.9 million for the corresponding period in 2020.

The non-GAAP profit of the Group decreased by approximately 49.7% to approximately HK\$192.4 million for the Period from approximately HK\$382.4 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 year and non-GAAP net margin, have been presented in this announcement. The Company's management believes that the non-GAAP financial measures provide investors with more clear view on the Group's financial results, and with useful supplementary information to assess the performance of the Group's strategic operations by excluding certain impact of certain non-cash items, certain impact of merger and acquisition transactions, certain costs for measures in response to the COVID-19 pandemic, certain one-off operating loss and recognition of deferred tax expenses due to the change of tax law. Nevertheless, the use of these non-GAAP financial measures has limitations as an analytical tool. These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, analysis of the Company's financial performance prepared in accordance with IFRS. In addition, these non-GAAP financial measures may be defined differently from similar terms used by other companies.

The following tables set forth the reconciliations of the Company's non-GAAP financial measures for the years ended 31 December 2021 and 2020 to the nearest measures prepared in accordance with IFRS:

	Year Ended 31 December 2021					Non-GAAP (HK\$ million)
	As reported (HK\$ million)	Equity-settled share option expenses (HK\$ million)	Net fair value gains on call and put options (a) (HK\$ million)	Adjustments		
				Amortization of intangible assets and inventory appreciation (b) (HK\$ million)	Cost for measures taken in response to impact of COVID-19 (c) (HK\$ million)	
Operating profit	166.0	35.5	-2.8	41.9		240.6
Profit before tax	111.8	35.5	-2.8	41.9		186.4
Profit for the year	127.6	35.5	-2.0	31.3		192.4
Operating margin	1.7%					2.5%
Net margin	1.3%					2.0%

	Year Ended 31 December 2020					Non-GAAP (HK\$ million)
	As reported (HK\$ million)	Equity-settled share option expenses (HK\$ million)	Net fair value gains on call and put options (a) (HK\$ million)	Adjustments		
				Amortization of intangible assets and inventory appreciation (b) (HK\$ million)	Cost for measures taken in response to impact of COVID-19 (c) (HK\$ million)	
Operating profit	430.0	43.2	-2.2	40.6	64.7	576.3
Profit before tax	320.7	43.2	-2.2	40.6	64.7	467.0
Profit for the year	257.9	43.2	-1.5	30.2	52.6	382.4
Operating margin	5.2%					6.9%
Net margin	3.1%					4.6%

Notes:

- (a) Net fair value gains or losses on call options and put options granted to non-controlling shareholders of certain subsidiaries of the Group.
- (b) Amortization of intangible assets and inventory appreciation arising from acquisitions, net of related deferred tax.
- (c) Cost for measures taken in response to COVID-19 pandemic including: severance payment, supply chain restructure cost, impairment loss of idle fixed assets and inventories and disposal loss of certain retail stores.

Working Capital and Financial Resources

	As at 31 December 2021 (HK\$ million)	As at 31 December 2020 (HK\$ million)
Trade and notes receivables (including trade receivables due from related parties)	1,254.2	1,141.2
Trade and notes payables (including trade payables due to related parties)	1,637.2	1,458.7
Inventories	2,402.8	2,061.4
	As at 31 December 2021 (HK\$ million)	As at 31 December 2020 (HK\$ million)
Trade and notes receivables turnover days ⁽¹⁾	44	48
Trade and notes payables turnover days ⁽²⁾	98	108
Inventories turnover days ⁽³⁾	141	156

Notes:

- (1) Trade and notes receivables turnover days = Number of days in the reporting period x (average balance of trade and notes receivables at the beginning and at the end of the period)/revenue in the reporting period.
- (2) Trade and notes payables turnover days = Number of days in the reporting period x (average balance of the trade and notes payables at the beginning and at the end of the period)/cost of sales in the reporting period.
- (3) Inventories turnover days = Number of days in the reporting period x (average balance of inventories at the beginning and at the end of the period)/cost of sales in the reporting period.

The increase of trade and note receivables was mainly attributable to the increase of revenue. The trade and notes receivables turnover days remained stable.

The increase of trade and note payables was mainly attributable to the increase of procurement at the end of the Period. The decrease of trade and note payables turnover days was a result of the increase of cost of sales during the Period.

The increase of inventories was mainly attributable to the higher inventory in transit due to longer time of international transportation, the proactive initiative to reserve more inventory to mitigate risk from instability of global logistics and delayed shipments to key customers caused by disruptions in global logistics. 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 31 December 2021, the Group's monetary assets, including cash and cash equivalents, pledged time deposits and financial assets designated at fair value through profit or loss, were approximately HK\$2,256.1 million (31 December 2020: approximately HK\$1,725.9 million).

As at 31 December 2021, the Group's interest-bearing bank loans and other borrowings were approximately HK\$3,517.5 million (31 December 2020: approximately HK\$2,772.6 million), including short-term bank loans and other borrowings of approximately HK\$1,223.1 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\$2,294.4 million (31 December 2020: approximately HK\$785.7 million).

As a result, as at 31 December 2021, the Group's net debt position was approximately HK\$1,261.4 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.

Exchange Rate Fluctuations

The Group is a multinational enterprise with operations in different countries and the money that it used to conduct its business and transaction is denominated in various currencies, and the Group uses Hong Kong dollar ("HK\$") as its reporting currency, which is pegged to US\$. The Group's revenue is mainly denominated in US\$, RMB and EUR. The Group's procurement and OPEX are mainly denominated in RMB, US\$ and EUR. The net exposures to foreign currency risks of the Group's operating results are mainly the US\$ and EUR revenue against RMB procurement and OPEX. The Group would benefit from the appreciation of US\$ and EUR against RMB but would suffer losses if US\$ or EUR depreciates against RMB. The Group uses forward contracts to eliminate the foreign currency exposures.

Pledge of Assets

As at 31 December 2021, bank deposits of approximately HK\$805.6 million (31 December 2020: nil) were pledged for certain standby letter of credit from banks and for guarantee. Bank deposits of approximately HK\$7.1 million (31 December 2020: HK\$25.7 million) were pledged for interest reserve. Bank deposits of approximately HK\$330.3 million (31 December 2020: nil) were pledged for certain long-term bank loans. Certain machinery amounting to approximately HK\$5.8 million (31 December 2020: HK\$10.8 million) was pledged to secure bank loan granted to the Group.

Gearing Ratio

As at 31 December 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 bills payables, other payables and accruals, payables due to related parties and interest-bearing bank loan and other borrowings (current and non-current) less monetary assets, including cash and cash equivalents, pledged time deposits and financial assets designated at fair value through profit or loss; the amount of adjusted capital is calculated by equity attributable to owner of the parent minus hedging reserve) was approximately 38.6% (31 December 2020: approximately 37.4%), or 40.4% after taking into consideration the impact of IFRS 16) (as at 31 December 2020: approximately 38.9%).

Employees and Remuneration Policy

As at 31 December 2021, the Group had a total of 8,826 full-time employees (31 December 2020: 9,375). For the Period, costs of employees, excluding Directors' emoluments, amounted to a total of approximately HK\$1,804.4 million (year ended 31 December 2020: approximately HK\$1,560.8 million). The Group determined the remuneration packages of all employees with reference to their position, competency, performance, value and market salary trend. 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 ("**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 2021, there were 136,099,167 outstanding share options in total under the 2010 Share Option Scheme and the 2020 Share Option Scheme (31 December 2020: 140,706,500 share options).

OTHER INFORMATION

Annual General Meeting

The annual general meeting of the Company (the “AGM”) will be held on 23 May 2022 (Monday). A notice convening the AGM will be published and despatched to the shareholders of the Company in the manner required by Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) in due course.

Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (year ended 31 December 2020: nil).

Book Close Periods

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

- Latest time to lodge transfers documents for registration 4:30 p.m. on 17 May 2022 (Tuesday)
- Closure of register of members 18 May 2022 (Wednesday) to 23 May 2022 (Monday), both days inclusive

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

Corporate Governance

For the year ended 31 December 2021, the Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices (“CG Code”) as set out in Appendix 14 to the Listing Rules.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended 31 December 2021.

Purchase, Sale and Redemption of listed securities

There was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries during the year ended 31 December 2021.

Model Code for Securities Transactions by Directors

Since the listing of the Company on the Main Board of the Stock Exchange on 24 November 2010, the Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code for the dealings in securities transactions by the Directors. Having made specific enquires, all Directors have confirmed that they complied with the required standard of dealings set out in the Model Code for the year ended 31 December 2021.

Audit Committee

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

The annual results for the year ended 31 December 2021 of the Company have been reviewed by the Audit Committee. The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Group’s independent auditor, Ernst & Young.

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

Appreciation

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

Publication of Financial Results and Annual Report

This annual results announcement is published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.gbinternational.com.hk>). The annual report of the Company for the year ended 31 December 2021 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, 22 March 2022

As at the date of this announcement, the executive Directors of the Company are Mr. SONG Zhenghuan, Mr. Martin POS, Mr. XIA Xinyue, Mr. LIU Tongyou and Mr. Michael Nan QU; the non-executive Directors are Ms. FU Jingqiu and Mr. HO Kwok Yin, Eric; and the independent non-executive Directors are Mr. Iain Ferguson BRUCE, Mr. SHI Xiaoguang, Ms. CHIANG Yun and Mr. JIN Peng.