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Goodbaby

International

Goodbaby International Holdings Limited

好孩子國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1086)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

Financial Highlights	For the six months ended		Year-on-year change
	2022	2021	
	30 June		
	(HK\$ in millions, unless specified)		
Revenue	4,372.8	4,627.3	-5.5%
Gross profit	1,684.9	1,962.7	-14.2%
Operating profit ¹	18.8	151.5	-87.6%
Non-GAAP ² operating profit	51.4	192.4	-73.3%
Profit for the period	2.4	101.2	-97.6%
(Loss)/Profit for the period attributable to owners of the parent	-1.4	101.1	-101.4%
(Loss)/Earnings per share (HK\$)			
– basic	-0.00	0.06	-100.0%
– diluted	-0.00	0.06	-100.0%

- Operating profit represents the total sum of gross profit, other income and gains, less selling and distribution expenses, administrative expenses and other expenses.
- We adopted non-GAAP financial measures in order to more clearly illustrate our financial results, and to be more consistent with what we believe to be the industry practice. These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, analysis of the Company's financial performance prepared in accordance with IFRS. In addition, these non-GAAP financial measures may be defined differently from similar terms used by other companies. Please see "Non-GAAP Financial Measures" for details.

The board (the “**Board**”) of directors (“**Directors**”, each the “**Director**”) of Goodbaby International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to present the unaudited consolidated interim results of the Group for the six months ended 30 June 2022 (the “**Period**”), together with the comparative figures for the corresponding period in 2021 as below.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	<i>Notes</i>	Six months ended 30 June	
		2022	2021
		(Unaudited)	
		(HK\$'000)	(HK\$'000)
Revenue	4	4,372,828	4,627,265
Cost of sales		(2,687,891)	(2,664,535)
Gross profit		1,684,937	1,962,730
Other income and gains	4	71,940	34,019
Selling and distribution expenses		(1,045,536)	(1,190,613)
Administrative expenses		(691,630)	(646,983)
Other expenses		(911)	(7,624)
Operating profit		18,800	151,529
Finance income	5	22,876	16,047
Finance costs	6	(52,783)	(45,625)
Share of losses of:			
Joint ventures		(2,085)	(1,138)
An associate		–	(6)
(LOSS)/PROFIT BEFORE TAX	7	(13,192)	120,807
Income tax credit/(expense)	8	15,613	(19,646)
Profit for the period		2,421	101,161
Attributable to:			
Owners of the parent		(1,443)	101,071
Non-controlling interests		3,864	90
		2,421	101,161
(Loss)/earnings per share attributable to ordinary equity holders of the parent:	<i>10</i>		
Basic			
For (loss)/profit for the period (HK\$)		(0.00)	0.06
Diluted			
For (loss)/profit for the period (HK\$)		(0.00)	0.06

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	(Unaudited)	
	(HK\$'000)	(HK\$'000)
PROFIT FOR THE PERIOD	<u>2,421</u>	<u>101,161</u>
Other comprehensive (loss)/income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges		
Effective portion of changes in fair value of hedging instruments arising during the period	378	31,660
Reclassification adjustments for gains included in the consolidated statement of profit or loss	(6,172)	(4,076)
Income tax effect	<u>514</u>	<u>(4,400)</u>
	(5,280)	23,184
Exchange differences:		
Exchange differences on translation of foreign operations	<u>(308,549)</u>	<u>61,381</u>
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	<u>(313,829)</u>	<u>84,565</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Actuarial gains of defined benefit plans	<u>–</u>	<u>295</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>–</u>	<u>295</u>
Other comprehensive (loss)/income for the period, net of tax	<u>(313,829)</u>	<u>84,860</u>
Total comprehensive (loss)/income for the period	<u>(311,408)</u>	<u>186,021</u>
Attributable to:		
Owners of the parent	(313,389)	185,605
Non-controlling interests	<u>1,981</u>	<u>416</u>
	<u>(311,408)</u>	<u>186,021</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>Notes</i>	30 June 2022 (Unaudited) (HK\$'000)	31 December 2021 (Audited) (HK\$'000)
NON-CURRENT ASSETS			
Property, plant and equipment		965,247	1,031,631
Right-of-use assets		308,013	336,549
Goodwill		2,714,132	2,812,866
Other intangible assets		2,169,381	2,281,555
Investments in joint ventures		12,023	6,513
Investment in an associate		4,677	–
Deferred tax assets		66,855	85,109
Pledged deposits		1,149,196	1,152,021
Other long-term assets		10,268	11,294
		<u>7,399,792</u>	<u>7,717,538</u>
CURRENT ASSETS			
Inventories	11	2,090,904	2,402,801
Trade and notes receivables	12	1,231,411	1,247,410
Prepayments and other receivables		714,367	641,951
Due from related parties		636	6,775
Financial assets at fair value through profit or loss		75,216	17,824
Cash and cash equivalents		776,711	1,087,413
Pledged deposits		12,084	9,454
Derivative financial instruments	15	13,149	40,546
		<u>4,914,478</u>	<u>5,454,174</u>
CURRENT LIABILITIES			
Trade and bills payables	13	1,200,715	1,636,633
Other payables and accruals		817,339	905,027
Income tax payable		40,455	39,483
Provision		58,413	99,003
Interest-bearing bank loans and other borrowings	14	1,333,875	1,223,104
Lease liabilities		97,547	98,979
Derivative financial instruments	15	10,057	4,260
Due to related parties		2,197	604
Defined benefit plan liabilities		339	337
		<u>3,560,937</u>	<u>4,007,430</u>
NET CURRENT ASSETS		<u>1,353,541</u>	<u>1,446,744</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,753,333</u>	<u>9,164,282</u>

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

As at 30 June 2022

	<i>Notes</i>	30 June 2022 (Unaudited) (HK\$'000)	31 December 2021 (Audited) (HK\$'000)
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	14	2,285,303	2,294,380
Provision		54,796	53,870
Defined benefit plan liabilities		3,450	3,534
Other liabilities		2,386	2,129
Lease liabilities		177,340	201,925
Deferred tax liabilities		432,355	510,940
		<hr/>	<hr/>
Total non-current liabilities		2,955,630	3,066,778
		<hr/>	<hr/>
Net assets		5,797,703	6,097,504
		<hr/>	<hr/>
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital		16,680	16,680
Reserves		5,742,489	6,044,271
		<hr/>	<hr/>
		5,759,169	6,060,951
Non-controlling interests		38,534	36,553
		<hr/>	<hr/>
Total equity		5,797,703	6,097,504
		<hr/>	<hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

1. CORPORATE INFORMATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2022 were authorized to issue in accordance with a resolution of directors on 22 August 2022.

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

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The financial information is presented in Hong Kong Dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRSs 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

- (a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination, the amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to IFRSs 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:
- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

3. OPERATING SEGMENT INFORMATION

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

- (a) Strollers and accessories segment, which engages in the research, design, manufacture and sale of strollers and accessories under the Group's own brands and third parties' brands;
- (b) Car seats and accessories segment, which engages in the research, design, manufacture and sale of car seats and accessories under the Group's own brands and third parties' brands;
- (c) Non-durable products segment, which includes maternity and baby-care products and apparel and home textile products; and
- (d) Others segment, which engages in the research, design, manufacture and sale of other children's products under the Group's own brands and third parties' brands.

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

Six months ended 30 June 2022

	Strollers and accessories (HK\$'000) (Unaudited)	Car seats and accessories (HK\$'000) (Unaudited)	Non-durable products (HK\$'000) (Unaudited)	Others (HK\$'000) (Unaudited)	Consolidated (HK\$'000) (Unaudited)
Segment revenue (note 4)					
Sales to external customers	1,751,108	1,647,874	418,907	554,939	4,372,828
Segment results	687,102	676,493	192,789	128,553	1,684,937
Other income and gains					71,940
Corporate and other unallocated expenses					(1,743,015)
Other expenses					(911)
Finance income					22,876
Finance costs (other than interest on lease liabilities)					(46,934)
Share of losses of:					
Joint ventures					(2,085)
An associate					-
Loss before tax					(13,192)
Other segment information:					
Impairment losses recognised in the statement of profit or loss, net	5,387	778	492	560	7,217
Depreciation and amortisation	108,837	89,253	24,314	24,080	246,484

Six months ended 30 June 2021

	Strollers and accessories (HK\$'000) (Unaudited)	Car seats and accessories (HK\$'000) (Unaudited)	Non-durable products (HK\$'000) (Unaudited)	Others (HK\$'000) (Unaudited)	Consolidated (HK\$'000) (Unaudited)
Segment revenue (note 4)					
Sales to external customers	1,747,932	1,562,718	732,359	584,256	4,627,265
Segment results	750,550	730,927	324,555	156,698	1,962,730
Other income and gains					34,019
Corporate and other unallocated expenses					(1,841,391)
Other expenses					(7,624)
Finance income					16,047
Finance costs (other than interest on lease liabilities)					(41,830)
Share of losses of:					
Joint ventures					(1,138)
An associate					(6)
Profit before tax					120,807
Other segment information:					
Impairment losses recognised/(reversed) in the statement of profit or loss	(819)	(1,174)	(1,306)	(27)	(3,326)
Depreciation and amortisation	96,803	93,450	30,047	24,816	245,116

Geographical information

(a) Revenue from external customers

	European market (HK\$'000) (Unaudited)	North America market (HK\$'000) (Unaudited)	Mainland China market (HK\$'000) (Unaudited)	Other overseas markets (HK\$'000) (Unaudited)	Total (HK\$'000) (Unaudited)
Six months ended 30 June 2022					
Segment revenue:					
Sales to external customers	1,449,691	1,741,459	855,000	326,678	4,372,828
Six months ended 30 June 2021					
Segment revenue:					
Sales to external customers	1,420,143	1,569,936	1,337,595	299,591	4,627,265

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

(b) Non-current assets

	30 June 2022 (HK\$'000) (Unaudited)	31 December 2021 (HK\$'000) (Audited)
Mainland China	5,295,420	5,536,212
North America	1,006,573	989,234
Europe	1,003,976	1,089,176
	<u>7,305,969</u>	<u>7,614,622</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 six months ended 30 June 2022, revenue from sales to a major customer of third party accounting for 10% or more of the total net sales of the Group is HK\$553,220,000 (during the six months ended 30 June 2021: HK\$501,960,000).

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 30 June 2022 (HK\$'000) (Unaudited)	2021 (HK\$'000) (Unaudited)
<i>Revenue from contracts with customers</i>		
Sale of goods	4,357,872	4,614,492
Rendering of testing services	14,956	12,773
	<u>4,372,828</u>	<u>4,627,265</u>

Revenue from contracts with customers

Disaggregated revenue information

For the six months ended 30 June 2022

Segments	Strollers and accessories <i>HK\$'000</i> (Unaudited)	Car seats and accessories <i>HK\$'000</i> (Unaudited)	Non-durable products <i>HK\$'000</i> (Unaudited)	Others <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Type of goods or services					
Sale of goods	1,751,108	1,647,874	418,907	539,983	4,357,872
Rendering of testing services	–	–	–	14,956	14,956
Total revenue from contracts with customers	<u>1,751,108</u>	<u>1,647,874</u>	<u>418,907</u>	<u>554,939</u>	<u>4,372,828</u>
Timing of revenue recognition					
Goods transferred at a point in time	1,751,108	1,647,874	418,907	539,983	4,357,872
Services transferred at a point in time	–	–	–	14,956	14,956
Total revenue from contracts with customers	<u>1,751,108</u>	<u>1,647,874</u>	<u>418,907</u>	<u>554,939</u>	<u>4,372,828</u>
Revenue from contracts with customers					
External customers	<u>1,751,108</u>	<u>1,647,874</u>	<u>418,907</u>	<u>554,939</u>	<u>4,372,828</u>

For the six months ended 30 June 2021

Segments	Strollers and accessories <i>HK\$'000</i> (Unaudited)	Car seats and accessories <i>HK\$'000</i> (Unaudited)	Non-durable products <i>HK\$'000</i> (Unaudited)	Others <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Type of goods or services					
Sale of goods	1,747,932	1,562,718	732,359	571,483	4,614,492
Rendering of testing services	–	–	–	12,773	12,773
Total revenue from contracts with customers	<u>1,747,932</u>	<u>1,562,718</u>	<u>732,359</u>	<u>584,256</u>	<u>4,627,265</u>
Timing of revenue recognition					
Goods transferred at a point in time	1,747,932	1,562,718	732,359	571,483	4,614,492
Services transferred at a point in time	–	–	–	12,773	12,773
Total revenue from contracts with customers	<u>1,747,932</u>	<u>1,562,718</u>	<u>732,359</u>	<u>584,256</u>	<u>4,627,265</u>
Revenue from contracts with customers					
External customers	<u>1,747,932</u>	<u>1,562,718</u>	<u>732,359</u>	<u>584,256</u>	<u>4,627,265</u>

Other income and gains

	Six months ended 30 June	
	2022 (HK\$'000) (Unaudited)	2021 (HK\$'000) (Unaudited)
Other income and gains:		
Government grants (<i>note (a)</i>)	30,898	26,849
Gain on disposal of fixed assets (<i>note (b)</i>)	23,543	2,740
Compensation income (<i>note (c)</i>)	5,974	434
Gain on sales of scrap materials (<i>note (d)</i>)	5,435	1,800
Net foreign exchange gain	2,572	–
Fair value gains, net		
– Cash flow hedges (transfer from equity)	–	512
– Derivative instruments – transactions not qualifying as hedges	1,747	–
Gain on wealth investment products	169	677
Rental concession income	–	74
Others	1,602	933
Total	<u>71,940</u>	<u>34,019</u>

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

Note (b): The amount represents the gain on disposal of building, machinery, and other fixed assets.

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 and other infringement compensation.

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

5. FINANCE INCOME

	Six months ended 30 June	
	2022 (HK\$'000) (Unaudited)	2021 (HK\$'000) (Unaudited)
Interest income on bank deposits	<u>22,876</u>	<u>16,047</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2022 (HK\$'000) (Unaudited)	2021 (HK\$'000) (Unaudited)
Interest on bank loans, overdrafts and other loans	46,934	41,830
Interest on lease liabilities	<u>5,849</u>	<u>3,795</u>
	<u>52,783</u>	<u>45,625</u>

7. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022	2021
	(HK\$'000)	(HK\$'000)
	(Unaudited)	(Unaudited)
Cost of inventories sold	2,679,749	2,658,220
Cost of services provided	8,142	6,315
Depreciation of property, plant and equipment	148,748	152,126
Depreciation of right-of-use assets	63,053	59,655
Amortisation of intangible assets	34,683	33,335
R&D costs	225,333	198,018
Short-term rental expenses*	21,463	19,680
Auditors' remuneration	5,435	4,938
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	898,365	888,951
Share option expense	11,607	20,035
Pension scheme costs (defined benefit plans) (including administrative expense)	171	460
Pension scheme contributions	37,059	32,894
	<u>947,202</u>	<u>942,340</u>
Net foreign exchange (gain)/loss	(2,572)	2,589
Fair value gains, net:		
Cash flow hedges (transfer from equity)	–	(512)
Derivative instruments – transactions not qualifying as hedges	(1,747)	–
Financial assets at fair value through profit or loss	(169)	–
Provision for impairment of receivables	2,871	1,586
Provision/(reversal) of provision of inventories	4,346	(4,912)
Product warranties and liabilities	17,617	35,782
Gain on disposal of items of property, plant and equipment	(23,543)	(2,740)
Bank interest income	(22,876)	(16,047)

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

8. INCOME TAX

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

Hong Kong profits tax has been provided at the rate of 16.5% (2021:16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

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

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

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

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

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

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

Pursuant to relevant tax rules under the EIT Law and with the approval from the relevant tax authorities in the PRC, two of the Group's subsidiaries, Goodbaby Child Products Co., Ltd. ("GCPC") and EQO Testing and Certification Services Co., Ltd. ("EQTC"), are qualified as "High and New Technology Enterprises" and are entitled to a preferential tax rate of 15% from 2020 to 2022.

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

	Six months ended 30 June	
	2022	2021
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(Unaudited)	(Unaudited)
Current income tax		
– Charge for the period	24,619	24,857
Deferred income tax	(40,232)	(5,211)
	<hr/>	<hr/>
Income tax (credit)/expense reported in the statement of profit or loss	(15,613)	19,646
	<hr/>	<hr/>

9. DIVIDENDS

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

10. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the (loss)/profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,668,031,166 in issue during the six months ended 30 June 2022 (six months ended 30 June 2021: 1,668,024,099).

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

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2022.

The calculation of (loss)/earnings per share is based on:

	Six months ended 30 June	
	2022	2021
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(Unaudited)	(Unaudited)
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent used in the basic (loss)/earnings per share calculation	(1,443)	101,071

	Number of shares	
	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation	1,668,031,166	1,668,024,099
Effect of dilution-weighted average number of ordinary shares:		
Share options	–	1,187,698
Total	1,668,031,166	1,669,211,797

11. INVENTORIES

	As at	As at
	30 June	31 December
	2022	2021
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(Unaudited)	(Audited)
Raw materials	351,198	341,062
Work in progress	31,744	59,372
Finished goods	1,707,962	2,002,367
	2,090,904	2,402,801

12. TRADE AND NOTES RECEIVABLES

	As at 30 June 2022 (HK\$'000) (Unaudited)	As at 31 December 2021 (HK\$'000) (Audited)
Trade receivables	1,261,193	1,282,135
Notes receivables	70	–
	<u>1,261,263</u>	<u>1,282,135</u>
Impairment of trade receivables	(29,852)	(34,725)
	<u>1,231,411</u>	<u>1,247,410</u>

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

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

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

	As at 30 June 2022 (HK\$'000) (Unaudited)	As at 31 December 2021 (HK\$'000) (Audited)
Within 3 months	1,145,526	1,171,109
3 to 6 months	21,615	39,751
6 months to 1 year	51,520	30,388
Over 1 year	12,680	6,162
	<u>1,231,341</u>	<u>1,247,410</u>

13. TRADE AND BILLS PAYABLES

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

	As at 30 June 2022 (HK\$'000) (Unaudited)	As at 31 December 2021 (HK\$'000) (Audited)
Within 3 months	971,638	1,368,263
3 to 12 months	224,095	261,248
1 to 2 years	3,705	3,297
2 to 3 years	573	3,074
Over 3 years	704	751
	<u>1,200,715</u>	<u>1,636,633</u>

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

14. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

		As at 30 June 2022 HK\$'000 Maturity (Unaudited)	As at 31 December 2021 HK\$'000 Maturity (Audited)
Current			
Bank overdrafts – secured	<i>Note (a)</i>	2022-2023 240,134	2022 301,238
Bank overdrafts – unsecured	<i>Note (a)</i>	2022-2023 3,232	2022 156
Current portion of long-term bank loans – secured	<i>Note (b)</i>	2022-2023 3,958	–
Current portion of long-term bank loans – unsecured		2022-2023 467,730	2022 489,357
Bank borrowings – secured	<i>Note (b)</i>	2022-2023 506,601	2022 334,013
Bank borrowings – unsecured		2023 112,220	2022 97,872
Promissory note	<i>Note (c)</i>	–	2022 468
		<u>1,333,875</u>	<u>1,223,104</u>
Non-current			
Bank borrowings – secured	<i>Note (b)</i>	2023-2024 2,285,303	2023-2024 2,294,380
Total		<u>3,619,178</u>	<u>3,517,484</u>

Note (a): The bank overdraft facilities amounted to HK\$356,495,000, of which HK\$240,134,000 had been utilised as at the end of the reporting period. The bank overdraft facilities are revolving facilities with no termination date.

Note (b): As at 30 June 2022, 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\$3,137,000 (31 December 2021: HK\$5,834,000);
- (iv) the pledge of certain of the Group's time deposits amounting to HK\$315,718,000 (31 December 2021: HK\$330,316,000).

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

Note (d): The effective interest rates of the bank loans and other borrowing range from 0.8% to 3.3% (2021: 0.59% to 3.1%).

15. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2022	
	Assets	Liabilities
	(HK\$'000)	(HK\$'000)
	(Unaudited)	(Unaudited)
Forward currency contracts		
– designated as hedging instruments	13,149	10,057
	<hr/>	<hr/>
	As at 31 December 2021	
	Assets	Liabilities
	(HK\$'000)	(HK\$'000)
	(Audited)	(Audited)
Forward currency contracts		
– designated as hedging instruments	40,546	4,260
	<hr/>	<hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Profitability strongly impacted amidst Unprecedented Global Challenges

During the Period, our Group withstood the major challenges presented by a protracted pandemic environment – particularly in our China market, massively increased global supply chain costs, continued global supply chain disruptions, and unfavorable foreign exchange rate movements in Europe. Additional challenges included a volatile European geopolitical landscape, and downward pressure on the global economy.

In our Europe and North American markets, very positive revenue growth momentum resulted from sustained consumer demand for the Group's products. This growth was suppressed by the lack of product availability caused by the continuation of global supply chain disruptions. This overall growth momentum was offset by unprecedented high global freight rates and increased input costs in both markets and unfavorable foreign exchange rate movements in Europe, creating a negative impact on the Group's profitability.

In our China market, the government tightened restrictive measures to curb the resurgence of the pandemic throughout the Period. These stringent measures caused offline store and warehouse closures, significantly disrupted logistic deliveries, suspended the Group's production activities and supply chain, which severely impacted the Group's China market business both online and offline and generating a negative impact on the Group's profitability.

Amidst these challenges, the Group initiated focused cost reduction measures in all business units to freeze unnecessary expenditures and implemented mitigation initiatives. Meanwhile, it continued to expand its own international distribution platforms and invest in innovation in a more prudent manner to maintain its competitive strength. The Group continued to gain market share during the Period.

Key factors of success of the Group during the Period include:

1. Our diversified portfolio of brands and balanced global footprint minimized risk in any one territory and resulted in a strong global competitive advantage;
2. Strength of the Group's one-dragon vertically integrated platform of own brands, omni-channel distribution platforms, own manufacturing and operational services enabled the Group to absorb significant negative developments;
3. Initiated focused cost control measures in all business units;
4. Implemented competitive product price increases throughout the second quarter to improve profitability;
5. Prudent investments in innovation to maintain competitive strength;
6. Continued to extend own D2C online retail platforms in key markets and extended our international wholesale distribution platform.

Our revenue for the Period decreased by 5.5% to approximately HK\$4,372.8 million from approximately HK\$4,627.3 million for the corresponding period in 2021. During the Period, foreign exchange rate fluctuations impacted the overall revenue growth. On a constant currency basis, our revenue for the Period recorded a 2.7% decrease as compared to the corresponding period in 2021. Reported gross profit decreased by 14.2% to approximately HK\$1,684.9 million for the Period from approximately HK\$1,962.7 million for the corresponding period in 2021. Reported operating profit decreased by 87.6% to approximately HK\$18.8 million from approximately HK\$151.5 million for the corresponding period in 2021 and on a non-GAAP basis, our operating profit decreased by 73.3% to approximately HK\$51.4 million for the Period from approximately HK\$192.4 million for the corresponding period in 2021.

During the Period, the Group's strategic brands recorded a decrease of 3.0% in revenue (a 0.5% increase on a constant currency basis) from the revenue of the corresponding period in 2021.

Summary of the Group's strategic brands and Blue Chip business revenue:

For the six months ended 30 June						
(HK\$ million)	2022		2021		Change (%)	Change on a constant currency basis (%)
Group Total Revenue	\$4,372.8		\$4,627.3		-5.5%	-2.7%
	Amount	% of Revenue	Amount	% of Revenue	Change (%)	Change on a constant currency basis (%)
Strategic Brands	\$3,653.2	83.5%	\$3,766.3	81.5%	-3.0%	0.5%
CYBEX	1,631.8	37.3%	1,617.9	35.0%	0.9%	10.1%
gb	791.7	18.1%	1,211.2	26.2%	-34.6%	-34.9%
Evenflo	1,229.7	28.1%	937.2	20.3%	31.2%	29.8%
Blue Chip	\$560.6	12.8%	\$642.3	13.9%	-12.7%	-12.9%

EXECUTIVE SUMMARY

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

- Amidst extremely difficult COVID-19 related challenges and geopolitical challenges, **CYBEX** brand recorded growth of 0.9% (a 10.1% increase on a constant currency basis) in the Period to reach another record first half revenue of approximately HK\$1,631.8 million from approximately HK\$1,617.9 million for the corresponding period in 2021. The first quarter revenue was very strong, while the second quarter revenue temporarily impacted due to ongoing global supply chain disruptions resulting lack of product availability. CYBEX has a very strong order book on hand, confirming continuous strong consumer demand. The growth momentum across all key global markets was primarily driven by very strong brand position and disruptive and innovative product portfolio, continued introduction of new products in car seats, wheeled goods and home furniture, continued expansion and fortification of global omni-channel distribution

network, in particular, and the successful roll-out of its own e-commerce platform in Europe contributed to the positive growth performance. CYBEX has outperformed its competitors and gained market share in key markets. The positive revenue developments during the Period were offset primarily by unprecedented high global supply chain costs, unfavorable foreign exchange rate movements as the Euro weakened against the Chinese Renminbi (RMB) and persistently high input costs. During the Period, CYBEX continued to receive awards from independent European consumer testing (e.g. ADAC) and design (e.g. reddot design award) organizations, which proves the brand's steadfast commitment to technologies and design. The recently launched AnorisT car seat with full-body airbag technology was designated by the independent ADAC organization as "very good" – representing the safest car seat ever tested. CYBEX continues to gain market share and reinforce its global leading position as the premium "technical-lifestyle" brand.

- **gb** brand recorded a decrease in revenue of 34.6% (a 34.9% decrease on a constant currency basis) in the Period to approximately HK\$791.7 million from approximately HK\$1,211.2 million for the corresponding period in 2021. In the China market, gb brand recorded revenue decrease of 37.3% (a 37.6% decrease on a constant currency basis) as compared with the corresponding period of 2021. Beginning early and continuing throughout the Period, the Omicron subvariant spread in various regions throughout China. In response, the Chinese government implemented restrictive measures, including unprecedented strict city-wide lockdowns in Shanghai from the end of March to the end of May and traffic control and regional shutdowns in Beijing from May to June. These restrictive measures caused offline store and warehouse closures, significantly disrupted logistic deliveries, suspended wholesale activities and weakened consumer confidence across the country, severely impacting the Group's China market business both online and offline. The revenue decline was further impacted by the continued birth rate decline in China. During the Period, gb brand continued to right-size and transform the commercial operations to adapt to the new China market environment. gb continued to gain recognition for its commitment to innovation and design by receiving an iF design award for its new launch during the Period.
- **Evenflo** brand continued its very strong growth momentum to reach a record first half revenue. The growth of 31.2% (a 29.8% increase on a constant currency basis) in the Period to approximately HK\$1,229.7 million from approximately HK\$937.2 million for the corresponding period in 2021 was primarily driven by strong growth in digital channels and continued strong consumer acceptance of innovative products, elevated product portfolio and the enhanced brand image which continue to generate gains in retailer awards of business. As a result, Evenflo rapidly gained market share in North America. During the Period, Evenflo absorbed unprecedented increases in global supply chain costs and raw material input costs, only to be partially offset by price increases finalized late in the Period.

During the Period, our Blue Chip business recorded revenue decrease of 12.7% (a 12.9% decrease on a constant currency basis) to approximately HK\$560.6 million as compared to approximately HK\$642.3 million for the corresponding period in 2021. The revenue decrease was primarily due to a reduction in orders resulting from customers' high inventory levels. Blue Chip continues to maintain very stable and healthy relationships with its customers.

During the Period, the Group's revenue from our tactical brands approximated HK\$159.0 million as compared to approximately HK\$218.7 million in the corresponding period of 2021. This approximate 27.3% decrease (a 29.4% decrease on a constant currency basis) was primarily due to the continued planned rationalization of the respective product portfolios and impacts from COVID-19 related curbs and lockdowns.

OUTLOOK

Notwithstanding the varying macro environments of the various regions in which the Group operates, we expect positive developments in the future business performance of our brands. Our navigation through the unprecedented challenges experienced during the Period proves the strength of the Group's one-dragon vertically integrated platform. We remain very confident in our overall strategy and will continue to execute our focused strategy in our strategic brands of CYBEX, gb and Evenflo and support the ongoing development of our Blue Chip business.

CYBEX will continue its global growth strategy across all key geographic regions and gain market share driven by its innovative product portfolio, new product launches, new category extensions, strengthened supply chain capabilities, new e-commerce platforms and expansion of national distribution platforms in new geographic territories. Recently implemented price increases and cost reduction measures combined with the stabilization of key supply chain costs will significantly improve profitability. These initiatives will be carefully monitored and adjusted to the new realities of the geopolitical and inflationary environment in Europe.

Whilst **gb** brand revenue is anticipated to further decline amidst the protracted pandemic environment and continued birth rate decline in China; further business rightsizing will provide a strong focus on profitability and maintain positive cash flow. It will continue its brand upgrade, further development of digital cloud retail system and social media based owned channels and complete the reformation of its wholesale distribution channel, and its focus on product innovation, technologies and new product launches, which will establish the foundation for profitability improvement. We will continue to execute the brand transformation to strengthen consumer engagement in all owned channels and upgrade our retail store concepts working in concert with our cloud retail system to provide a deeper engagement, via an immersive experience, with our consumers.

Evenflo will continue to drive strong revenue and market share growth based on strong development of digital channels, consumer reception to innovative product launches; it will continue to launch new and more profitable products and fulfill new awards of business from major retailers as the brand is being recognized for its commitment to overall brand enhancement and product innovation. Improvements in profitability will be realized from competitive price increases implemented in the second quarter and the stabilization of supply chain costs. Key focus areas continue to be mitigation of logistics disruptions and the volatility in consumer behavior caused by the inflationary environment.

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.

The protracted pandemic environment, absorption of global supply chain costs, logistics disruptions and unfavorable foreign exchange rate fluctuations inevitably negatively impacted the Group's revenue and profitability during the Period. We have already implemented measures to mitigate the future impact of these influences. Consumer sentiment is anticipated to be negatively impacted due to high inflation and geopolitical instability. We will monitor these dynamics very closely and execute any additional actions as required.

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

FINANCIAL REVIEW

Revenue

For the Period, the total revenue of the Group decreased by 5.5% to approximately HK\$4,372.8 million from approximately HK\$4,627.3 million for the corresponding period in 2021. During the Period, foreign exchange rate fluctuations impacted the overall revenue growth. On a constant currency basis, our revenue for the Period recorded a 2.7% decrease compared to the corresponding period in 2021.

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

For the six months ended 30 June
2022 **2021**

(HK\$ million)	Revenue	% of revenue	Revenue	% of revenue	Change (%)	Change on a constant currency basis (%)
Group's own brand and retailer private label businesses	3,812.2	87.2	3,985.0	86.1	-4.3%	-1.1%
– APAC	1,051.8	24.1	1,534.7	33.1	-31.5%	-31.2%
– EMEA	1,457.4	33.3	1,433.7	31.0	1.7%	11.3%
– Americas	1,303.0	29.8	1,016.6	22.0	28.2%	26.8%
Blue Chip business	560.6	12.8	642.3	13.9	-12.7%	-12.9%
Total	4,372.8	100.0	4,627.3	100.0	-5.5%	-2.7%

For the Period, the 4.3% decrease (1.1% decrease on a constant currency basis) of the Group's own brands and retailer private label businesses revenue were attributable to the combination result of growth of our strategic brands CYBEX and Evenflo, as well as the decrease of brand gb, 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\$855.0 million in the Period against approximately HK\$1,337.6 million in the corresponding period in 2021, a decrease of 36.1% (a decrease of 36.4% on a constant currency basis). The decrease in region APAC was mainly attributable to the decrease in revenue from our core strategic brand gb in China. The revenue from APAC markets outside China remained stable.
- In region EMEA, we recorded revenue of approximately HK\$1,457.4 million for the Period, an increase of 1.7% (11.3% increase on a constant currency basis) from approximately HK\$1,433.7 million for the corresponding period in 2021. 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\$1,303.0 million in the Period, an increase of 28.2% (26.8% increase on a constant currency basis) from approximately HK\$1,016.6 million for the corresponding period in 2021. The increase was mainly attributable to the increase in revenue from our core strategic brand Evenflo.

During the Period, our Blue Chip business recorded a decrease of 12.7% (12.9% decrease on a constant currency basis) to approximately HK\$560.6 million as compared to approximately HK\$642.3 million for the corresponding period in 2021. The revenue decrease was primarily due to a reduction in orders resulting from customers' high inventory levels.

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales slightly increased by 0.9% to approximately HK\$2,687.9 million for the Period from approximately HK\$2,664.6 million for the corresponding period in 2021. Gross profit for the Group decreased to approximately HK\$1,684.9 million for the Period from approximately HK\$1,962.7 million for the corresponding period in 2021, and the gross profit margin decreased by 3.9 percentage points to 38.5% for the Period from approximately 42.4% for the corresponding period in 2021. Gross profit decline was primarily attributed to the decrease in gross profit margin, the decrease in revenue from China market and inability to fulfill order books (particularly in EMEA) due to continued supply chain disruptions. Decrease in gross profit margin was mainly driven by dramatic inflation in freight cost, weakened foreign exchange rates, especially Euro against RMB, which impacts were partially offset by product price increases.

Other Income and Gains

Other income and gains of the Group increased by approximately HK\$37.9 million to approximately HK\$71.9 million for the Period as compared to approximately HK\$34.0 million for the corresponding period in 2021, which was mainly attributable to the increase in gain on disposal of property, plant and equipment and compensation income.

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 decreased by approximately HK\$145.1 million to approximately HK\$1,045.5 million for the Period from approximately HK\$1,190.6 million for the corresponding period in 2021. The decrease was mainly attributable to: a) the decrease in rental and commission paid in retail channel to approximately HK\$67.8 million for the Period from approximately HK\$135.0 million for the corresponding period in 2021; b) the decrease in personnel costs to approximately HK\$307.0 million for the Period, from approximately HK\$356.8 million for the corresponding period in 2021; and c) the decrease in warehousing and transportation costs to approximately HK\$252.1 million for the Period from approximately HK\$263.4 million for the corresponding period in 2021.

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\$44.6 million to approximately HK\$691.6 million for the Period from approximately HK\$647.0 million for the corresponding period in 2021. The increase was mainly due to: a) the increase in the R&D cost to approximately HK\$225.3 million for the Period from approximately HK\$198.0 million for the corresponding period in 2021; and b) the increase in personnel cost to approximately HK\$261.1 million for the Period from approximately HK\$248.0 million for the corresponding period in 2021.

Other Expenses

Other expenses of the Group decreased to approximately HK\$0.9 million for the Period from approximately HK\$7.6 million for the corresponding period in 2021. Other expenses of the Group decreased by approximately HK\$6.7 million, which was mainly attributable to the decrease in foreign exchange loss and the decrease in loss on disposal of property, plant and equipment.

Operating Profit

As a result of the foregoing, the Group's operating profit decreased by approximately 87.6%, or HK\$132.7 million, to approximately HK\$18.8 million for the Period from approximately HK\$151.5 million for the corresponding period in 2021.

Finance Income

For the Period, the Group's finance income increased to approximately HK\$22.9 million from approximately HK\$16.0 million for the corresponding period in 2021. The Group's finance income mainly represents interest income from bank deposits.

Finance Costs

For the Period, the Group's finance costs increased by approximately HK\$7.2 million to approximately HK\$52.8 million from approximately HK\$45.6 million for the corresponding period in 2021. The increase was aligned with the increase in interest-bearing bank loans and other borrowings balance.

Despite the increase in interest-bearing bank loans and other borrowings balance and rapid increase of interest rate, especially LIBOR, net finance costs remained stable compared with the corresponding period in 2021, which was mainly attributable to optimization of loan structure.

Profit/Loss Before Tax

As a result of the foregoing, the profit before tax of the Group decreased from approximately HK\$120.8 million for the corresponding period in 2021 by approximately HK\$134.0 to a loss before tax of approximately HK\$13.2 million for the Period.

Income Tax

The Group's income tax was a credit of approximately HK\$15.6 million for the Period, and the income tax expense was approximately HK\$19.6 million for the corresponding period in 2021. The decrease in the amount of income tax was aligned with the decrease of the profit before tax of the Group.

Profit for the Period

Profit of the Group for the Period decreased by 97.6% to approximately HK\$2.4 million from approximately HK\$101.2 million for the corresponding period in 2021.

Non-GAAP Financial Measures

To supplement the consolidated results of the Group prepared in accordance with IFRS, certain non-GAAP financial measures, including non-GAAP operating profit, non-GAAP operating margin, non-GAAP profit before tax, non-GAAP profit for the year and non-GAAP net margin, have been presented in this announcement. The Company's management believes that the non-GAAP financial measures provide investors with more clear view on the Group's financial results, and with useful supplementary information to assess the performance of the Group's strategic operations by excluding certain impact of certain non-cash items, certain impact of merger and acquisition transactions, certain one-off 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 six months ended 30 June 2022 and 2021 to the nearest measures prepared in accordance with IFRS:

	Six months ended 30 June 2022			
	Adjustments			Non-GAAP (HK\$ million)
	As reported (HK\$ million)	Equity-settled share option expenses (HK\$ million)	Amortization of intangible assets (a) (HK\$ million)	
Operating profit	18.8	11.6	21.0	51.4
Profit/(Loss) before tax	-13.2	11.6	21.0	19.4
Profit for the period	2.4	11.6	15.7	29.7
Operating margin	0.4%			1.2%
Net margin	0.1%			0.7%

	Six months ended 30 June 2021			
	Adjustments			Non-GAAP (HK\$ million)
	As reported (HK\$ million)	Equity-settled share option expenses (HK\$ million)	Amortization of intangible assets (a) (HK\$ million)	
Operating profit	151.5	20.0	20.9	192.4
Profit/(Loss) before tax	120.8	20.0	20.9	161.7
Profit for the period	101.2	20.0	15.6	136.8
Operating margin	3.3%			4.2%
Net margin	2.2%			3.0%

Note:

(a) Amortization of intangible assets arising from acquisitions, net of related deferred tax.

Working Capital and Financial Resources

	As at 30 June 2022 (HK\$ million)	As at 31 December 2021 (HK\$ million)
Trade and notes receivables (including trade receivables due from related parties)	1,232.0	1,254.2
Trade and notes payables (including trade payables due to related parties)	1,202.9	1,637.2
Inventories	2,090.9	2,402.8
	As at 30 June 2022 (HK\$ million)	As at 31 December 2021 (HK\$ million)
Trade and notes receivables turnover days ⁽¹⁾	51	44
Trade and notes payables turnover days ⁽²⁾	95	98
Inventories turnover days ⁽³⁾	150	141

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.

Trade and notes receivables remained stable. The increase in trade and notes receivables turnover days is mainly attributable to the relatively high balance of trade and notes receivables at the end of previous year and at the end of the Period due to higher monthly revenue near the end of previous year and near the end of the Period than average monthly revenue during the Period.

The decrease of inventory is mainly attributable to lower procurements near the end of the Period than procurements near the end of previous year. The trade and notes payables turnover days remained stable.

The decrease of inventories was mainly attributable to working capital improvement as well as the lower level of inventory in transit and less delayed shipments caused by instability of global logistics for the Period as compared to year end 2021. The increase of inventory turnover days was mainly because the inventory at the end of last year and at the end of the Period was substantially higher than the inventory at the beginning of last year, as a result of a much higher inventory level in transit caused by much longer global logistic time and substantial higher freight cost which caused higher inventory value for the same inventory volume.

Liquidity and Financial Resources

As at 30 June 2022, the Group's monetary assets, including cash and cash equivalents, pledged deposits and certain financial assets designated at fair value through profit or loss, were approximately HK\$2,003.4 million (31 December 2021: approximately HK\$2,256.1 million).

As at 30 June 2022, the Group's interest-bearing bank loans and other borrowings were approximately HK\$3,619.2 million (31 December 2021: approximately HK\$3,517.5 million), including short-term bank loans and other borrowings of approximately HK\$1,333.9 million (31 December 2021: approximately HK\$1,223.1 million) and long-term bank loans and other borrowings with repayment terms ranging from two to three years of approximately HK\$2,285.3 million (31 December 2021: approximately HK\$2,294.4 million).

As a result, as at 30 June 2022, the Group's net debt position was approximately HK\$1,615.8 million (31 December 2021: approximately HK\$1,261.4 million).

Contingent Liabilities

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

As at 30 June 2022, the Group had no material contingent liabilities (as at 31 December 2021: nil).

Exchange Rate Fluctuations

The Group is a multinational enterprise with operations in different countries and the money that it used to conduct its business and transaction is denominated in various currencies, and the Group uses Hong Kong dollar ("HK\$") as its reporting currency, which is pegged to 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 30 June 2022, bank deposits of approximately HK\$803.9 million (31 December 2021: HK\$805.6 million) were pledged for certain standby letters of credit from banks and for guarantee. Bank deposits of approximately HK\$9.8 million (31 December 2021: HK\$7.1 million) were pledged for interest reserve. Bank deposits of approximately HK\$315.7 million (31 December 2021: HK\$330.3 million) were pledged for certain long-term bank loans. Certain machinery amounting to approximately HK\$3.1 million (31 December 2021: HK\$5.8 million) was pledged to secure bank loan granted to the Group.

Gearing Ratio

As at 30 June 2022, 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 deposits and certain 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 38.7% (31 December 2021: approximately 38.6%), or 40.5% after taking into consideration the impact of IFRS 16) (as at 31 December 2021: approximately 40.4%).

Employees and Remuneration Policy

As at 30 June 2022, the Group had a total of 8,188 full-time employees (31 December 2021: 8,826). For the Period, costs of employees, excluding Directors' emoluments, amounted to a total of approximately HK\$925.0 million (for the corresponding period of 2021: approximately HK\$926.0 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 30 June 2022, there were 134,108,500 outstanding share options in total under the 2010 Share Option Scheme and the 2020 Share Option Scheme (31 December 2021: 136,099,167 share options).

Significant Acquisition, Disposal or Investment

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

OTHER INFORMATION

Events After the Reporting Period

No material events affecting the Company or its subsidiaries has occurred subsequent to 30 June 2022.

Purchase, Sale or Redemption of Shares

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

Dividends

The Board does not recommend payment of any dividend for the Period (six months ended 30 June 2021: Nil).

Corporate Governance

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

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

Model Code for Securities Transactions by Directors

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

Audit Committee

As at the date of this announcement, the audit committee of the Company (the “**Audit Committee**”) consists of Ms. Chiang Yun, Mr. Shi Xiaoguang and Mr. So Tak Young. The chairlady of the Audit Committee is Ms. Chiang Yun. The unaudited interim condensed consolidated financial information of the Group for the Period have been reviewed by the Audit Committee.

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

Publication of Interim Report

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

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

Hong Kong, 22 August 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 Ms. CHIANG Yun, Mr. SHI Xiaoguang, Mr. JIN Peng and Mr. SO Tak Young.