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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 2020

Financial Highlights	For the year ended 31 December		Year-on-year change
	2020	2019	
	<i>(HK\$ in millions, unless specified)</i>		
Revenue	8,305.0	8,777.1	-5.4%
Gross profit	3,668.1	3,780.6	-3.0%
Operating profit ¹	430.0	389.9	10.3%
Non-GAAP ² operating profit	576.3	473.0	21.8%
Profit for the year	257.9	202.6	27.3%
Non-GAAP profit for the year	382.4	276.1	38.5%
Profit for the year attributable to owners of the parent	256.6	202.2	26.9%
EPS (HK\$)			
– basic	0.15	0.12	25.0%
– diluted	0.15	0.12	25.0%

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

² We adopted non-GAAP financial measures in order to more clearly illustrate our financial results, and to be more consistent with what we believe to be the industry practice. These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, analysis of the Company's financial performance prepared in accordance with IFRS. In addition, these non-GAAP financial measures may be defined differently from similar terms used by other companies. Please see "Non-GAAP Financial Measures" for details.

The board (the “**Board**”) of directors (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 2020 (the “**Period**”), together with the comparative figures for the year ended 31 December 2019 as below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	<i>Notes</i>	2020 <i>(HK\$'000)</i>	2019 <i>(HK\$'000)</i>
Revenue	4	8,304,967	8,777,142
Cost of sales		(4,636,930)	(4,996,484)
Gross profit		3,668,037	3,780,658
Other income and gains	4	90,048	74,116
Selling and distribution expenses		(2,131,438)	(2,274,966)
Administrative expenses		(1,145,615)	(1,170,329)
Other expenses		(50,972)	(19,544)
Finance income	5	5,956	4,543
Finance costs	6	(114,068)	(141,856)
Share of profits and losses of:			
– Joint ventures		(1,143)	339
– An associate		(105)	(131)
PROFIT BEFORE TAX	7	320,700	252,830
Income tax expense	8	(62,780)	(50,262)
PROFIT FOR THE YEAR		257,920	202,568
Attributable to:			
Owners of the parent		256,574	202,194
Non-controlling interests		1,346	374
		257,920	202,568
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:	<i>10</i>		
Basic			
For profit for the year (HK\$)		0.15	0.12
Diluted			
For profit for the year (HK\$)		0.15	0.12

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Year Ended 31 December 2020*

	2020 (HK\$'000)	2019 (HK\$'000)
PROFIT FOR THE YEAR	257,920	202,568
OTHER COMPREHENSIVE LOSS		
<i>Other comprehensive income /(loss) 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	8,692	3,794
Reclassification adjustments for gains included in the consolidated statement of profit or loss	(5,890)	(2,341)
Income tax effect	(326)	(218)
	2,476	1,235
Exchange differences on translation of foreign operations	397,393	(123,711)
Net other comprehensive income /(loss) that may be reclassified to profit or loss in subsequent periods	399,869	(122,476)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Actuarial gains /(loss) of defined benefit plans	1,219	(1,724)
Net other comprehensive income /(loss) that will not be reclassified to profit or loss in subsequent periods	1,219	(1,724)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	401,088	(124,200)
TOTAL COMPREHENSIVE INCOME	659,008	78,368
Attributable to:		
Owners of the parent	655,367	78,093
Non-controlling interests	3,641	275
	659,008	78,368

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	<i>Notes</i>	31 December 2020 (HK\$'000)	31 December 2019 (HK\$'000)
NON-CURRENT ASSETS			
Property, plant and equipment		1,033,485	1,059,572
Right-of-use assets		256,844	296,480
Goodwill		2,763,595	2,637,062
Other intangible assets		2,287,136	2,177,501
Investments in joint ventures		5,070	5,903
Investment in an associate		2,243	2,082
Deferred tax assets		98,237	121,569
Other long-term assets		11,328	8,781
		<hr/>	<hr/>
Total non-current assets		6,457,938	6,308,950
CURRENT ASSETS			
Inventories	11	2,061,439	1,954,471
Trade and notes receivables	12	1,134,657	1,075,634
Prepayments and other receivables		464,690	441,332
Due from related parties		6,532	11,595
Financial assets at fair value through profit or loss		6,994	–
Cash and cash equivalents		1,693,152	1,054,615
Pledged deposits		25,702	24,031
Derivative financial instruments	13	17,683	6,334
		<hr/>	<hr/>
Total current assets		5,410,849	4,568,012
CURRENT LIABILITIES			
Trade and bills payables	14	1,455,446	1,324,362
Other payables and accruals		908,563	808,158
Income tax payable		27,491	11,960
Provision		54,547	35,552
Interest-bearing bank loans and other borrowings	15	1,986,869	892,220
Lease liabilities		95,600	98,388
Derivative financial instruments	13	6,003	4,571
Due to related parties		3,227	–
Defined benefit plan liabilities		388	631
Dividends payable		–	8
		<hr/>	<hr/>
Total current liabilities		4,538,134	3,175,850
NET CURRENT ASSETS		<hr/>	<hr/>
		872,715	1,392,162
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		7,330,653	7,701,112

	<i>Notes</i>	31 December 2020 (HK\$'000)	31 December 2019 (HK\$'000)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,330,653</u>	<u>7,701,112</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	15	785,735	1,861,526
Provision		63,559	50,357
Defined benefit plan liabilities		4,232	5,201
Other liabilities		1,872	5,633
Lease liabilities		123,177	156,808
Deferred tax liabilities		570,509	535,453
		<u>1,549,084</u>	<u>2,614,978</u>
Total non-current liabilities		<u>1,549,084</u>	<u>2,614,978</u>
Net assets		<u>5,781,569</u>	<u>5,086,134</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital		16,680	16,680
Reserves		5,732,764	5,020,793
		<u>5,749,444</u>	<u>5,037,473</u>
Non-controlling interests		<u>32,125</u>	<u>48,661</u>
Total equity		<u>5,781,569</u>	<u>5,086,134</u>

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\$") 51,500,000	Manufacture, distribution and sale of safety belts, cloth sets, car safety seats, car components for children, infant strollers and bicycles
Ningbo Goodbaby Child Products Co., Ltd. ("GCPN") (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
Evenflo Company, Inc. ("EFCO")	U.S., 1 October 1992	–	100%	US\$86,500	Manufacture, distribution and sale of car safety seats, infant strollers and baby related products
Muebles Para Ninos De Baja, S.A. De C.V. ("EFMX")	Mexico, 29 June 1987	–	100%	Peso1,720,000	Manufacture of baby related products
Goodbaby Canada Inc. ("EFCA")	Canada, 18 March 1991	–	100%	US\$7,000	Distribution and sale of baby related products

Name of company	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					
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 Trading Partners USA Inc. ("CBUS")	U.S., 24 November 2014	–	100%	US\$1	Distribution and sale of car safety seats, infant strollers and other parenting products
Columbus Trading Partners Japan Limited ("CBJP")	Japan, 20 February 2018	–	80%	JPY2,200,000	Distribution and sale of car safety seats, infant strollers and other parenting 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

Note (d) During the year, the Group disposed of its equity interest in Goodbaby Commercial (Fuyang) Co., Ltd.

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 2020. 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 *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements:

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “**Conceptual Framework**”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“**RFR**”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the coronavirus disease 2019 (“**COVID-19**”) pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments

affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's office buildings and retail stores have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of HK\$3,605,000 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 2020.

- (e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

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

- (a) 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 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					
<i>Reconciliation:</i>	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

Year ended 31 December 2019

	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	2,935,935	2,828,966	1,599,413	1,412,828	8,777,142
Segment results	1,333,265	1,247,033	763,044	437,316	3,780,658
<i>Reconciliation:</i>					
Other income and gains					74,116
Corporate and other unallocated expenses					(3,456,828)
Other expenses					(19,544)
Finance income					4,543
Finance costs (other than interest on lease liabilities)					(130,323)
Share of profits and losses of joint ventures					339
Share of profits and losses of an associate					(131)
Profit before tax					252,830
Other segment information:					
Impairment losses recognised in the statement of profit or loss, net	6,992	15,580	631	684	23,887
Depreciation and amortisation	154,963	146,299	53,254	57,208	411,724

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 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>
Year ended 31 December 2019					
Segment revenue:					
Sales to external customers	<u>2,374,257</u>	<u>2,866,112</u>	<u>3,106,392</u>	<u>430,381</u>	<u>8,777,142</u>

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

(b) Non-current assets

	2020 <i>(HK\$'000)</i>	2019 <i>(HK\$'000)</i>
Mainland China	4,243,555	4,164,959
North America	1,024,665	1,057,290
Europe	1,072,841	956,475
	<u>6,341,061</u>	<u>6,178,724</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 2020, revenue from sales to a major customer of third party is HK\$820,669,000 (2019: HK\$862,681,000). 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:

	2020 (HK\$'000)	2019 (HK\$'000)
<i>Revenue from contracts with customers</i>		
Sale of goods	8,277,221	8,751,553
Rendering of testing services	27,746	25,589
	<u>8,304,967</u>	<u>8,777,142</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

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
	<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
	<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:

	2020 <i>(HK\$'000)</i>	2019 <i>(HK\$'000)</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	135,885	93,746
Rendering of testing services	—	—
	<hr/>	<hr/>
Total	135,885	93,746
	<hr/>	<hr/>

(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 2020 are as follows:

	2020 <i>(HK\$'000)</i>	2019 <i>(HK\$'000)</i>
Amounts expected to be recognised as revenue:		
Within one year	146,226	135,885
	<hr/>	<hr/>

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

	2020 <i>(HK\$'000)</i>	2019 <i>(HK\$'000)</i>
Other income and gains:		
Government grants <i>(note (a))</i>	62,313	62,109
Gain on wealth investment products <i>(note (b))</i>	17,752	2,853
Compensation income <i>(note (c))</i>	2,626	3,964
Fair value gains, net		
Derivative instruments – transactions not qualifying as hedges	2,000	–
Gains on call/put options over non-controlling interests	2,603	3,436
Others	2,754	1,754
	<hr/>	<hr/>
Total	90,048	74,116
	<hr/>	<hr/>

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

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

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

5. FINANCE INCOME

	2020 <i>(HK\$'000)</i>	2019 <i>(HK\$'000)</i>
Interest income on bank deposits	5,956	4,543
	<hr/>	<hr/>

6. FINANCE COSTS

	2020 <i>(HK\$'000)</i>	2019 <i>(HK\$'000)</i>
Interest on bank loans, overdrafts and other loans	104,201	130,323
Interest on lease liabilities	9,867	11,533
	<hr/>	<hr/>
	114,068	141,856
	<hr/>	<hr/>

7. PROFIT BEFORE TAX

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

	2020 (HK\$'000)	2019 (HK\$'000)
Cost of inventories sold	4,624,175	4,986,650
Cost of services provided	12,755	9,834
Depreciation of property, plant and equipment	287,922	266,015
Depreciation of right-of-use assets	121,318	95,236
Amortisation of intangible assets	56,270	50,473
R&D costs	339,125	345,649
Lease payments not included in the measurement of lease liabilities	30,638	60,465
Auditors' remuneration	9,808	9,788
Employee benefit expense (including Directors' remuneration):		
Wages, salaries and other benefits	1,520,603	1,623,155
Share option expense	43,209	44,660
Pension scheme costs (defined benefit plans) (including administrative expense)	140	1,340
Pension scheme contributions	70,481	96,815
	<u>1,634,433</u>	<u>1,765,970</u>
Net foreign exchange loss	17,103	9
Impairment of trade receivables	1,431	10,119
(Reversal) /provision of inventories	(7,765)	13,768
Product warranties and liabilities	111,336	38,601
Fair value (gain)/losses, net:		
Cash flow hedges (transfer from equity)	152	323
Derivative instruments – transactions not qualifying as hedges	(2,000)	–
Financial assets at fair value through profit or loss	(17,752)	–
Gains on call/put options over non-controlling interests	(2,603)	(3,436)
Loss on disposal of items of property, plant and equipment	14,559	9,462
Loss on disposal of intangible assets	776	–
Bank interest income	(5,956)	(4,543)
Impairment of property, plant and equipment	10,962	–

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% (2019: 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 (2019: 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:

	2020 (HK\$'000)	2019 (HK\$'000)
Current – income tax		
Charge for the year	42,953	48,207
Deferred income tax	<u>19,827</u>	<u>2,055</u>
Income tax expense reported in the statement of profit or loss	<u>62,780</u>	<u>50,262</u>

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:

	2020 (HK\$'000)	2019 (HK\$'000)
Profit before tax	320,700	252,830
Expected income tax based on different rates applicable to profits in the countries covered	70,918	56,360
Effect of tax losses not recognised	12,201	–
Recognition of deferred tax assets related to previously unrecognised deductible temporary differences and tax losses	–	(4,901)
Tax credit arising from additional deduction of R&D expenditures of PRC subsidiaries	(17,526)	(14,710)
Tax effect on non-taxable income	(11,231)	(670)
Tax effect on non-deductible expenses	<u>8,418</u>	<u>14,183</u>
Income tax expense	<u>62,780</u>	<u>50,262</u>

9. DIVIDENDS

The Board did not recommend the payment of any dividend for the years ended 31 December 2020 and 2019.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,668,023,166 in issue during the year (2019: 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 Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2020.

The calculation of earnings per share is based on:

	2020 <i>(HK\$'000)</i>	2019 <i>(HK\$'000)</i>
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>256,574</u>	<u>202,194</u>
	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,668,023,166	1,668,023,166
Effect of dilution - weighted average number of ordinary shares: Share options	<u>—*</u>	<u>—</u>
Total	<u>1,668,023,166</u>	<u>1,668,023,166</u>

* No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2020 in respect of a dilution as the exercise prices of the Company's outstanding share options were higher than the average market prices for the Company's shares during the current year.

11. INVENTORIES

	2020 (HK\$'000)	2019 (HK\$'000)
Raw materials	327,355	330,609
Work in progress	46,705	47,840
Finished goods	<u>1,687,379</u>	<u>1,576,022</u>
	<u>2,061,439</u>	<u>1,954,471</u>

12. TRADE AND NOTES RECEIVABLES

	2020 (HK\$'000)	2019 (HK\$'000)
Trade receivables	1,163,236	1,100,028
Notes receivable	<u>2,905</u>	<u>3,770</u>
	<u>1,166,141</u>	<u>1,103,798</u>
Impairment of the trade receivables	<u>(31,484)</u>	<u>(28,164)</u>
	<u>1,134,657</u>	<u>1,075,634</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:

	2020 (HK\$'000)	2019 (HK\$'000)
Within 3 months	1,064,257	1,003,174
3 to 6 months	39,776	45,694
6 months to 1 year	18,433	12,296
Over 1 year	<u>9,286</u>	<u>10,700</u>
	<u>1,131,752</u>	<u>1,071,864</u>

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

	2020 <i>(HK\$'000)</i>	2019 <i>(HK\$'000)</i>
At beginning of year	28,164	37,531
Impairment losses, net	1,431	10,119
Amounts written off as uncollectible	–	(19,946)
Exchange realignment	1,889	460
	<hr/>	<hr/>
At end of year	31,484	28,164
	<hr/>	<hr/>

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

	2020	
	Assets <i>(HK\$'000)</i>	Liabilities <i>(HK\$'000)</i>
Forward currency contracts – designated as hedging instruments	17,683	6,003
	<hr/>	<hr/>
	2019	
	Assets	Liabilities
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Forward currency contracts – designated as hedging instruments	6,334	4,571
	<hr/>	<hr/>

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					Total
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	
As at 31 December 2020						
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	146,214	–	–	–	–	146,214
Average forward rate (US\$/RMB)	7.1012	–	–	–	–	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	344,815	235,153	300,758	262,806	240,302	1,383,834
Average forward rate (EUR/RMB)	8.1242	8.0639	8.1226	8.1831	8.2712	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	19,649	35,282	36,760	39,719	12,254	143,664
Average forward rate (GBP/EUR)	1.1109	1.1093	1.1073	1.1054	1.1040	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	13,922	3,249	–	–	–	17,171
Average forward rate (JPY/EUR)	0.0085	0.0084	–	–	–	

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

	Notional amounts (HK\$'000)	Carrying amounts (HK\$'000)	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year (HK\$'000)
As at 31 December 2020				
Foreign currency forward contracts	583,151	17,683	Derivative financial instruments (assets)	17,683
Foreign currency forward contracts	1,107,732	(6,003)	Derivative financial instruments (liabilities)	(6,003)

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 2020		
Highly probable forecast sales	<u>9,575</u>	<u>2,105</u>

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

	Total hedging gains/(losses) recognised in other comprehensive income			Line item in the statement of profit or loss	Amounts reclassified from other comprehensive income to profit or loss			Line item (gross amount) in the statement of profit or loss
	Gross amounts (HK\$'000)	Tax effects (HK\$'000)	Total (HK\$'000)		Gross amounts (HK\$'000)	Tax effects (HK\$'000)	Total (HK\$'000)	
	As at 31 December 2020							
Highly probable forecast sales	8,692	(1,490)	7,202	Other income and gains	(5,890)	1,164	(4,726)	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:

	2020 (HK\$'000)	2019 (HK\$'000)
Within 3 months	1,186,600	1,125,977
3 to 12 months	261,273	189,929
1 to 2 years	5,332	5,839
2 to 3 years	1,483	2,051
Over 3 years	758	566
	<u>1,455,446</u>	<u>1,324,362</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.

15. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

		As at		As at	
		31 December 2020	HK\$'000	31 December 2019	HK\$'000
	Maturity			Maturity	
Current					
Bank overdrafts – secured	<i>Note (a)</i>	2021	291,772	2020	293,351
Bank overdrafts – unsecured	<i>Note (a)</i>	2021	283	2020	3,020
Current portion of long-term bank loans – secured	<i>Note (b)</i>	2021	1,690,214	2020	256,320
Bank borrowings – secured	<i>Note (b)</i>	2021	4,135	2020	338,283
Promissory note	<i>Note (c)</i>	2021	465	2020	1,246
			<u>1,986,869</u>		<u>892,220</u>
Non-current					
Bank borrowings – secured	<i>Note (b)</i>	2022-2023	548,187	2021-2023	1,860,903
Bank borrowings – unsecured		2022	237,083		–
Promissory note	<i>Note (c)</i>	2022	465	2021-2022	623
			<u>785,735</u>		<u>1,861,526</u>
Total			<u>2,772,604</u>		<u>2,753,746</u>

Note (a): The bank overdraft facilities amounted to HK\$414,807,000, of which HK\$292,055,000 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 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.

As at 31 December 2019, certain of the Group's bank loans are secured by:

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

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 1.05% to 6% (2019: 0.80% to 6%).

	2020 <i>(HK\$'000)</i>	Group 2019 <i>(HK\$'000)</i>
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year	1,986,869	892,220
In the second year	774,925	1,306,738
In the third to fifth years, inclusive	10,810	554,788
	2,772,604	2,753,746

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 '000
At 1 January 2019	4.299	133,031
Granted during the year	3.750	85,300
Forfeited during the year	3.688	<u>(7,051)</u>
At 31 December 2019 and 1 January 2020	4.087	211,280
Forfeited during the year	4.068	(5,550)
Cancelled during the year	4.200	<u>(96,650)</u>
At 31 December 2020	3.984	<u>109,080</u>

No share options were exercised during the years ended 31 December 2020 and 2019.

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

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/>		

2019

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
3,667	3.75	7 October 2018 to 6 October 2025
3,667	3.75	7 October 2019 to 6 October 2025
3,667	3.75	7 October 2020 to 6 October 2025
1,000	3.88	28 August 2020 to 27 August 2027
1,000	3.88	28 August 2021 to 27 August 2027
1,000	3.88	28 August 2022 to 27 August 2027
15,460	4.54	27 September 2020 to 27 March 2028
23,190	4.54	27 September 2021 to 27 March 2028
38,650	4.54	27 September 2022 to 27 March 2028
2,040	5.122	28 May 2021 to 27 May 2028
3,060	5.122	28 May 2022 to 27 May 2028
5,100	5.122	28 May 2023 to 27 May 2028
16,940	3.75	23 May 2022 to 22 May 2029
25,410	3.75	23 May 2023 to 22 May 2029
42,350	3.75	23 May 2024 to 22 May 2029
<hr/>		
211,280		
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(b) **2020 Share Option Scheme**

	Weighted average exercise price HK\$ per share	Number of options '000
Granted and accepted during the year*	0.969	31,627

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

Number of options '000	Exercise price HK\$ per share	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 December 2030
1,663	1.01	11 December 2024 to 10 December 2030
2,771	1.01	11 December 2025 to 10 December 2030
<u>31,627</u>		

* On 19 June 2020, the Company proposed 47,321,000 share options, of which 26,084,500 were accepted and 21,236,500 were not accepted under the 2020 Share Option Scheme. The Company further granted 5,542,000 share options on 11 December 2020 under the 2020 Share Option Scheme.

The Group recognised a share option expense of HK\$43,209,000 (2019: HK\$44,660,000) for the year ended 31 December 2020.

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

	Share options granted on 19 June 2020	Share options granted on 11 December 2020
Dividend yield (%)	–	–
Spot stock price (HK\$ per share)	0.96	1.00
Historical volatility (%)	43.8-44.9	43.6
Risk-free interest rate (%)	0.45-0.60	0.75
Expected life of options (year)	7.19-8.93	10

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

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

At the end of the reporting period, the Company had 109,080,000 and 31,626,500 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 140,706,500 additional ordinary shares of the Company and additional share capital of HK\$1,407,065 and share premium of HK\$463,842,725 (before issue expenses).

At the date of approval of these financial statements, the Company had 109,080,000 and 31,409,500 share options outstanding under the 2010 Share Option Scheme and 2020 Share Option Scheme respectively, which represented approximately 6.54% and 1.88% of the Company's shares in issue as at that date.

17. EVENTS AFTER THE REPORTING PERIOD

As previously disclosed, the outbreak of COVID-19 has caused certain impact on both the overall global markets and business performance of the Group, mainly due to global travel restrictions and other precautionary measures imposed by relevant authorities that resulted in delays in commencement for work production in manufacturing plants, temporary closure for business of suppliers and distributors, and the overall decline in market demand from retail sector.

The Group estimates that the degree of COVID-19 impact will be dependent on the duration of the pandemic, and the outcome of various preventive measures undertaken by respective countries across the globe. The Group has been closely monitoring the market development and continuously evaluating the global impact of COVID-19 on the Group's operational and financial performance, and implementing series of action plans to minimize such impacts, including proactive operating cost control and working capital management.

Given the dynamic circumstances and uncertainties across the global markets to be recovered from the COVID-19 pandemic, the Group's financial performance during the pandemic period has inevitably been affected by the COVID-19 situation, and the Group will keep continuous attention on the development of COVID-19 and react actively to its impacts on the operation and financial position of the Group, which will be reflected in the Group's 2021 interim and annual financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Throughout the Period, the global economy and respective regional economic and political environments experienced a profound impact directly linked to the outbreak of COVID-19. During the Period, the Group remained steadfast in its commitment to its long-term strategy while concurrently executing aggressive, proactive reform initiatives. As a result, the Group withstood the related challenges and continues to remain robust operationally, successfully turning the global crisis into opportunities.

A reflection of our Group accomplishments during the Period include:

1. Notwithstanding the moderate and temporary revenue decline linked directly to the impact of COVID-19; Group profitability notably improved compared to the corresponding period in 2019;
 - a. Each Strategic brand and Blue Chip business recorded profitability for the Period
 - b. Proactive operating expense (“OPEX”) control across all regions facilitated profitability growth
2. Our balanced global footprint minimized risk in any one territory and was a catalyst for a strong competitive advantage resulting in increased market share;
3. Our owned production and regional supply chain/operations teams functioned as the backbone of our operations during the pandemic period, with minimal or no supply interruptions.

Our business performance for the Period was inevitably impacted by the global outbreak of COVID-19. Prior to the COVID-19 outbreak, our global commercial performance was generating very strong momentum. However, the global spread of COVID-19 has had a direct impact on both overall global markets and the Group’s business performance during the Period. Our revenue for the Period decreased by 5.4% to approximately HK\$8,305.0 million from approximately HK\$8,777.1 million for the corresponding period in 2019. During the Period, foreign exchange rate fluctuations impacted the overall revenue growth. On a constant currency basis, our revenue for the Period recorded a 5.0% decrease compared to the corresponding period in 2019. Our reported gross profit decreased by 3.0% to approximately HK\$3,668.1 million for the Period from approximately HK\$3,780.6 million for the corresponding period in 2019. However, due to proactive commercial management actions, aggressive control on OPEX and optimization of financing costs, our reported operating profit increased by 10.3% to approximately HK\$430.0 million from approximately HK\$389.9 million for the corresponding period in 2019 and our reported net profit increased by 27.3% to approximately HK\$257.9 million for the Period from approximately HK\$202.6 million for the corresponding period in 2019. Additionally, on a non-GAAP basis, our operating profit increased by 21.8% to approximately HK\$576.3 million for the Period from approximately HK\$473.0 million for the corresponding period in 2019 and our net profit significantly increased by 38.5% to approximately HK\$382.4 million for the Period from approximately HK\$276.1 million for the corresponding period in 2019.

During the Period, the Group’s core Strategic brands recorded a decrease of 4.7% in revenue (4.4% decrease on a constant currency basis) from the revenue of the corresponding period in 2019.

Summary of the Group's core Strategic brands revenue:

For the year ended 31 December						
(HK\$ million)	2020		2019		Change (%)	Change on a constant currency basis (%)
	Amount	% of Revenue	Amount	% of Revenue	Change (%)	Change on a constant currency basis (%)
Group Total Revenue	\$8,305.0		\$8,777.1		-5.4%	-5.0%
Core Strategic Brands Revenue	\$6,796.5	81.8%	7,131.7	81.3%	-4.7%	-4.4%
CYBEX	2,656.8	32.0%	2,457.5	28.0%	8.1%	7.0%
gb	2,472.0	29.8%	2,834.7	32.3%	-12.8%	-12.1%
Evenflo	1,667.7	20.0%	1,839.5	21.0%	-9.3%	-7.9%

EXECUTIVE SUMMARY

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

- CYBEX** brand recorded an increase in revenue of 8.1% (7.0% increase on a constant currency basis) in the Period to approximately HK\$2,656.8 million from approximately HK\$2,457.5 million for the corresponding period in 2019. This financial performance represents another historical record performance for revenue, gross profit and profitability. Whilst the negative impacts of COVID-19 were experienced in the Spring, CYBEX achieved strong global performance in January and a very strong recovery beginning in the second half of May which continued through December as regional economies gradually began to reopen and remain operational. Such strong pre COVID-19 performance and subsequent strong recovery across all key markets were driven by CYBEX's strong brand position and product portfolio (both car seats and strollers), fortified global operations and supply chain, expansion of distribution channels and the launch of new products. CYBEX outperformed its direct competitors and continued to gain market share during the Period. CYBEX continued to receive multiple awards from independent European consumer testing organizations (e.g. ADAC), further attesting to the brand's commitment to safety, design and function. CYBEX will continue its aggressive product development, expansion of National Distribution platforms and introduction of new product categories, further driving its future growth and reinforcing its leading position as the premium "technical – lifestyle" brand globally.

- **gb** brand recorded a decrease in revenue of 12.8% (12.1% decrease on a constant currency basis) in the Period to approximately HK\$2,472.0 million from approximately HK\$2,834.7 million for the corresponding period in 2019. In the key China market, gb brand recorded strong revenue performance prior to the outbreak of COVID-19. The overall revenue decline in the Period was directly attributed to the impact of COVID-19 on our offline retail and wholesale channels in China, which initially forced the nationwide temporary closure of our retail stores beginning in late January and a gradual reopening in late March/early April and then subsequent periodic regional shutdowns / re-openings throughout the remainder of 2020 as required by local authorities. As a direct result, the offline retail and wholesale channel performance was linked to the slow, but gradual, recovery of overall foot traffic and an approximate 19% reduction in the number of our existing self-managed offline stores. Seizing opportunities during the pandemic, we continued to modernize and enhance gb's brand image and accelerated our rapid business transformation toward a digital, real-time data-driven cloud/social media based online platform – thus achieving growth in our online channels during the Period, which was fueled by strong revenue recovery and growth in our non-durable product category in the second half of 2020 as compared to the corresponding period in 2019. Whilst the birth rate in China declined approximately 15% in 2020 (approximate 28% cumulative decline during the last three years), gb has maintained and will strengthen its leading brand awareness in the China market by dedicating resources to deliver innovate products for both durable and non-durable products and utilizing targeted marketing to key consumer groups to remain top of mind in design, safety and functionality.
- **Evenflo** brand recorded a decrease in revenue of 9.3% (7.9% decrease on a constant currency basis) in the Period to approximately HK\$1,667.7 million from approximately HK\$1,839.5 million for the corresponding period in 2019. The Evenflo brand performance was stable in the first quarter of 2020 before the outbreak of COVID-19 in the United States and then was negatively impacted during the second quarter of 2020 by the first wave outbreak of COVID-19. A revenue recovery began in mid June and achieved stable revenue development in the third quarter of 2020 year-on-year, offset by late year delayed shipments to key national retailers caused by disruptions in global logistics due to the continuing COVID-19 impact and ongoing economic and political uncertainty. Online revenues registered growth during the Period driven by strong consumer acceptance of new product introductions. The new product introductions are the result of the strategy of enhancing the Evenflo brand image and shifting the overall product mix towards more profitable products. We believe this revenue performance during the Period resulted in a market share increase. International export sales (primarily Asian territories) were significantly negatively impacted by COVID-19 with gradual recovery expected in 2021.

During the Period, our Blue Chip business recorded a slight decrease of 1.1% (0.3% decrease on a constant currency basis) to approximately HK\$997.2 million in the Period as compared to approximately HK\$1,008.6 million for the corresponding period in 2019. While our Blue Chip revenues were stable in January and February, March was significantly negatively impacted due to our China factories shutdown in February and customers started to partially delay orders from end of March to the second quarter, resulting in a net first half revenue decrease of nearly 9.9%. Offsetting the first half revenue decrease is a strong and rapid recovery in the second half (8.0% growth; 7.1% growth on a constant currency basis) resulting from the resumption of shipments from China production and the gradual recovery in our customers' global markets. Our Blue Chip business remains stable.

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\$511.4 million as compared to approximately HK\$636.8 million in the corresponding period of 2019. This approximate 19.7% decrease (18.6% decrease on a constant currency basis) was caused by the COVID-19 impact combined with continued portfolio rationalization.

OUTLOOK

Notwithstanding the overall impact from COVID-19, we are very encouraged by our business development and the proven strength of our business platform. We remain very confident in our overall strategy and resuming our revenue growth as the world recovers from the COVID-19 situation. We will continue to execute our focused strategy in our core Strategic brands of CYBEX, gb and Evenflo and the 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 national distribution platforms in new geographic territories. gb brand 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, which will establish the foundation for growth in revenue and profitability. We will continue to 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. We will also expand our distribution and brand footprint, through franchising, into lower tier cities in China. Evenflo will continue to drive sustainable 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. 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.

While encouraged by the Group performance during the Period, we do anticipate certain continuing lingering impacts from a COVID-19 resurgence, and accordingly, we remain vigilant and will implement further necessary proactive measures to ensure the ongoing viability of the Group performance.

With the introduction of the gradual global distribution of vaccines to combat COVID-19 and the preliminary signs of stabilization in both economic and political environments in our key markets, we are viewing mid to late 2021 with growing optimism. In the interim, the global environment remains very volatile and dynamic. Any significant resurgence of COVID-19 may influence Group commercial performance, but our strong global one-dragon model is the key foundational element to continue to achieve significant accomplishments in all environments.

FINANCIAL REVIEW

Revenue

For the Period, the total revenue of the Group decreased by 5.4% to approximately HK\$8,305.0 million from approximately HK\$8,777.1 million for the corresponding period in 2019. During the Period, foreign exchange rate fluctuations impacted the overall revenue growth. On a constant currency basis, our revenue for the Period recorded a 5.0% decrease compared to the corresponding period in 2019.

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

(HK\$ million)	For the year ended 31 December		2019		Change (%)	Change on a constant currency basis (%)
	2020		Revenue	% of revenue		
Group's own brand and retailer private label businesses	7,307.8	88.0	7,768.5	88.5	-5.9%	-5.6%
– APAC	3,059.2	36.8	3,495.5	39.8	-12.5%	-11.7%
– EMEA	2,455.2	29.6	2,328.2	26.5	5.5%	4.3%
– Americas	1,793.4	21.6	1,944.8	22.2	-7.8%	-6.5%
Blue Chip business	997.2	12.0	1,008.6	11.5	-1.1%	-0.3%
Total	8,305.0	100.0	8,777.1	100.0	-5.4%	-5.0%

The decline of the Group's own brands and retailer private label businesses was attributable to profound impact directly linked to the COVID-19 outbreak (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\$2,670.9 million in the Period against approximately HK\$3,106.4 million in the corresponding period in 2019, a decrease of 14.0% (a decrease of 12.4% on a constant currency basis). The overall revenue decline in the Period was directly attributed to the impact of COVID-19 on our offline retail and wholesale channels in China. The revenue from markets outside China decreased slightly to approximately HK\$388.3 million in the Period from approximately HK\$389.1 million in the corresponding period of 2019.
- In region EMEA, we recorded revenue of approximately HK\$2,455.2 million for the Period, an increase of 5.5% (4.3% on a constant currency basis) from approximately HK\$2,328.2 million for the corresponding period in 2019. The growth in region EMEA was mainly attributable to the strong performance of our core Strategic brand CYBEX.
- In region Americas, we recorded revenue of approximately HK\$1,793.4 million in the Period, a decrease of 7.8% (6.5% decrease on a constant currency basis) from approximately HK\$1,944.8 million for the corresponding period in 2019. The decrease was mainly attributable to the decrease of our core Strategic brand Evenflo. The brand's performance was stable in the first quarter of 2020 before the outbreak of COVID-19 in Americas and then was negatively impacted during the second quarter of 2020 by the first wave outbreak of COVID-19. A revenue recovery began in mid June and achieved stable revenue development in the third quarter of 2020 year-on-year, offset by late year delayed shipments to key customers caused by disruptions in global logistics due to the continuing COVID-19 impact.

Revenue from Blue Chip business decreased slightly by 1.1% (0.3% decrease on a constant currency basis) to approximately HK\$997.2 million for the Period as compared to approximately HK\$1,008.6 million for the corresponding period in 2019. While our Blue Chip revenues were stable in January and February, March was significantly negatively impacted due to our China factory shutdown in February and customers started to partially delay orders from end of March to the second quarter, resulting in a net first half revenue decrease of nearly 9.9%. Offsetting the first half revenue decrease is a strong and rapid recovery in the second half (8.0% growth; 7.1% growth on a constant currency basis) resulting from the resumption of shipments from China production and the gradual recovery in our customers' global markets. Our Blue Chip business remains stable.

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales decreased by 7.2% to approximately HK\$4,636.9 million for the Period from approximately HK\$4,996.5 million for the corresponding period in 2019. Gross profit for the Group decreased to approximately HK\$3,668.1 million for the Period, which was in line with the decline of Group's revenue from approximately HK\$3,780.6 million for the corresponding period in 2019, and the gross profit margin increased by 1.1 percentage points to 44.2% for the Period from approximately 43.1% for the corresponding period in 2019. The improvement in gross profit margin was mainly attributable to increased revenue contribution from the Group's core Strategic brands with higher gross margin and the continued improvement in cost efficiency.

Other Income and Gains

Other income and gains of the Group increased by approximately HK\$15.9 million to approximately HK\$90.0 million for the Period as compared to approximately HK\$74.1 million for the corresponding period in 2019, which was mainly attributable to the increase in gain on wealth investment products.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consist of marketing expenses, salaries and transportation costs. The selling and distribution expenses decreased by approximately HK\$143.6 million to approximately HK\$2,131.4 million for the Period from approximately HK\$2,275.0 million for the corresponding period in 2019. The decrease was mainly attributable to:

- a) the decrease in marketing expenses to approximately HK\$409.3 million for the Period from approximately HK\$498.9 million for the corresponding period in 2019, attributable to Group's aggressive cost control to respond to the impact of COVID-19;
- b) the decrease in warehousing and transportation costs to approximately HK\$430.3 million for the Period from approximately HK\$452.7 million for the corresponding period in 2019, in line with the decline in revenue;
- c) the decrease in costs in personnel to approximately HK\$570.6 million for the Period from approximately HK\$608.0 million in the corresponding period in 2019, mainly attributable to savings from the reduced number of employees as a result of organization structure optimization, partially offset by severance payment;
- d) the decrease in rental and commission paid in retail channel to approximately HK\$229.3 million for the Period from approximately HK\$298.4 million for the corresponding period in 2019, which was due to the COVID-19 impacted revenue and reduced numbers of offline stores; and

- e) the increase in product warranties and liabilities expense to approximately HK\$111.3 million for the Period from approximately HK\$38.6 million for the corresponding period in 2019 was mainly due to parameters updates on estimation of product warranties and liabilities obligation based on historical experience in assessment of possible outcome of the claims.

Administrative Expenses

The Group's administrative expenses primarily consist of salaries, R&D costs, professional service expenses, provision for the potential uncollectible receivables and other office expenses. The administrative expenses decreased by approximately HK\$24.6 million to approximately HK\$1,145.7 million for the Period from approximately HK\$1,170.3 million for the corresponding period in 2019. The decrease was mainly due to:

- a) the decrease in personnel cost to approximately HK\$445.2 million for the Period from approximately HK\$458.4 million for the corresponding period in 2019, which was mainly attributable to savings from the reduced number of employees as a result of organization structure optimization, partially offset by severance payment;
- b) the decrease in the R&D cost to approximately HK\$339.1 million for the Period from approximately HK\$345.6 million for the corresponding period in 2019, basically remaining stable; and
- c) other administrative expenses remaining stable.

Other Expenses

Other expenses of the Group increased to approximately HK\$51.0 million for the Period from approximately HK\$19.5 million for the corresponding period in 2019. Other expenses of the Group increased by approximately HK\$31.5 million, which was mainly attributable to the net foreign exchange loss and impairment of property, plant and equipment due to supply chain restructure.

Operating Profit

As a result of the foregoing, the Group's operating profit increased by approximately 10.3%, or HK\$40.1 million, to approximately HK\$430.0 million for the Period from approximately HK\$389.9 million for the corresponding period in 2019.

Finance Income

For the Period, the Group's finance income increased by approximately 33.3%, or HK\$1.5 million, to approximately HK\$6.0 million from approximately HK\$4.5 million for the corresponding period in 2019. 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 19.5%, or HK\$27.7 million, to approximately HK\$114.1 million from approximately HK\$141.8 million for the corresponding period in 2019. The decrease was mainly attributable to a lower interest rate.

Profit Before Tax

As a result of the foregoing, the profit before tax of the Group increased by 26.9% to approximately HK\$320.7 million for the Period from approximately HK\$252.8 million for the corresponding period in 2019.

The non-GAAP profit before tax of the Group increased by approximately 39.0% to approximately HK\$467.0 million for the Period from approximately HK\$335.9 million for the corresponding period in 2019.

Income Tax

The Group's income tax expense was approximately HK\$62.8 million for the Period, increased by 25.1% from approximately HK\$50.2 million for the corresponding period in 2019. The increase in the amount of income tax expense was aligned with the increase of the profit before tax of the Group.

Profit for the Year

Profit of the Group for the Period increased by 27.3% to approximately HK\$257.9 million from approximately HK\$202.6 million for the corresponding period in 2019.

The non-GAAP profit of the Group increased by approximately 38.5% to approximately HK\$382.4 million for the Period from approximately HK\$276.1 million for the corresponding period in 2019.

Non-GAAP Financial Measures

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

The following tables set forth the reconciliations of the Company's non-GAAP financial measures for the years ended 31 December 2020 and 2019 to the nearest measures prepared in accordance with IFRS:

	As reported	Equity-settled share option expenses	Net fair value gains on call and put options (a)	Amortization of intangible assets and inventory appreciation (b)	Cost for measures taken in response to impact of COVID-19 (c)	Non-GAAP
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
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%

Year Ended 31 December 2019

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

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 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 2020 (HK\$ million)	As at 31 December 2019 (HK\$ million)
Trade and notes receivables (including trade receivables due from related parties)	1,141.2	1,087.2
Trade and notes payables (including trade payables due to related parties)	1,458.7	1,324.4
Inventories	2,061.4	1,954.5

	As at 31 December 2020 (HK\$ million)	As at 31 December 2019 (HK\$ million)
Trade and notes receivables turnover days ⁽¹⁾	48	45
Trade and notes payables turnover days ⁽²⁾	108	100
Inventories turnover days ⁽³⁾	156	140

Notes:

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

The trade and notes receivables and the trade and notes receivables turnover days remain stable compared with the corresponding period in 2019.

The increase of trade and notes payables and the trade and notes payables turnover days was mainly attributable to a better credit term management.

The increase of inventories and inventories turnover days was mainly attributable to late year delayed shipments to key customers caused by disruptions in global logistics due to the continuing COVID-19 impact.

Liquidity and Financial Resources

As at 31 December 2020, 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\$1,725.9 million (31 December 2019: approximately HK\$1,078.6 million).

As at 31 December 2020, the Group's interest-bearing bank loans and other borrowings were approximately HK\$2,772.6 million (31 December 2019: approximately HK\$2,753.7 million), including short-term bank loans and other borrowings of approximately HK\$1,986.9 million (31 December 2019: approximately HK\$892.2 million) and long-term bank loans and other borrowings with repayment terms ranging from two to three years of approximately HK\$785.7 million (31 December 2019: approximately HK\$1,861.5 million).

As a result, as at 31 December 2020, the Group's net debt position was approximately HK\$1,046.7 million (31 December 2019: approximately HK\$1,675.1 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 U.S. dollar ("US\$"). The Group's revenue is mainly denominated in US\$, Renminbi ("RMB") and Euro. The Group's procurement and OPEX are mainly denominated in RMB, US\$ and Euro. The net exposures to foreign currency risks of the Group's operating results are mainly the US\$ and Euro revenue against RMB procurement and OPEX. The Group would benefit from the appreciation of US\$ and Euro against RMB but would suffer losses if US\$ or Euro depreciates against RMB. The Group uses forward contracts to eliminate the foreign currency exposures.

Pledge of Assets

As at 31 December 2020, bank deposits of approximately HK\$25.7 million (31 December 2019: HK\$24.0 million) were pledged for business operation. Certain machinery amounting to approximately HK\$10.8 million was pledged to secure bank loan granted to the Group.

Gearing Ratio

As at 31 December 2020, the Group's gearing ratio (calculated by net debt divided by the sum of adjusted capital and net debt; the amount of net debt is calculated by the sum of trade and bills payables, other payables and accruals, payables due to related parties and interest-bearing bank loan and other borrowings (current and non-current) less cash and cash equivalents; the amount of adjusted capital is calculated by equity attributable to owner of the parent minus hedging reserve) was approximately 37.4% (31 December 2019: approximately 43.2%), or 38.9% after taking into consideration the impact of IFRS 16 (as at 31 December 2019: approximately 44.8%).

Employees and Remuneration Policy

As at 31 December 2020, the Group has a total of 9,375 full-time employees (as at 31 December 2019, the Group had a total of 11,180 full-time employees). For the year ended 31 December 2020, costs of employees, excluding Directors' emoluments, amounted to a total of approximately HK\$1,560.8 million (2019: approximately HK\$1,703.6 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 (the "**2010 Share Option Scheme**") to incentivize or reward eligible participants for their contribution to the Group for the purpose of motivating the eligible participants to optimize their performance efficiency for the benefit of the Group, and attracting and retaining or otherwise maintaining on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.

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

As at 31 December 2019, 211,280,000 share options were outstanding. As at 31 December 2020, there were 140,706,500 outstanding share options in total under the 2010 Share Option Scheme and the 2020 Share Option Scheme.

OTHER INFORMATION

Annual General Meeting

The annual general meeting of the Company (the “**AGM**”) will be held on 24 May 2021 (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 2020 (2019: 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 2021 (Monday)
- Closure of register of members 18 May 2021 (Tuesday) to 24 May 2021 (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 2020, 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, save for the deviation from code provision A.1.1.

Code provision A.1.1 stipulates that, among others, the Board should meet at least four times a year at approximately quarterly intervals.

The Board held three physical Board meetings during the year of 2020. As members of the Board were located in different jurisdictions and time zones, and due to the restrictions imposed following the outbreak of COVID-19 pandemic, in order to efficiently and timely deal with the affairs of the Company, in lieu of physical meeting, consent of directors on various issues was sought through circulating written board resolutions as permitted under its articles of association. For the year ended 31 December 2020, in addition to the matters considered at physical Board meetings, all affairs of the Company had been properly dealt with by means of written board resolutions, which have been carefully considered and approved by all the Directors. In the forthcoming year, the Company intends to hold at least four Board meetings to deal with the Company’s affairs, either in person or through electronic means of communication as permitted under its articles of association.

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 2020.

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 2020.

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 2020.

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 2020 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 2020 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 2020 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, 23 March 2021

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.