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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)

CONNECTED TRANSACTION

RENEWAL OF LEASES

On 29 November 2021, the Group entered into the 2021 Lease Agreements to renew the 2018 Lease Agreements.

LISTING RULES IMPLICATIONS

The right-of-use assets acquired under the 2021 Lease Agreements will be recognized by the Group in its consolidated statement of financial position in accordance with the IFRS 16. Accordingly, the entering into of the 2021 Lease Agreements and the transaction contemplated thereunder will be deemed as an acquisition of right-of-use assets by the Group. The total value of the right-of-use assets is estimated to be approximately RMB40,481,709 (equivalent to HK\$48,655,900), which is calculated with reference to the gross rental payments. As one or more of the applicable percentage ratios of the estimated value of the right-of-use assets to be recognized by the Company under the 2021 Lease Agreements are more than 0.1% but all of the applicable percentage ratios are less than 5%, the entering of 2021 Lease Agreements and the transaction contemplated thereunder is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 28 August 2018 in relation to, among others, the 2018 Lease Agreements. The 2018 Lease Agreements will expire on 31 December 2021. On 29 November 2021, the Group entered into the 2021 Lease Agreements to renew the 2018 Lease Agreements.

THE 2021 LEASE AGREEMENTS

The principal terms of each of the 2021 Lease Agreements are set out below.

(1) The 2021 First Lease Agreement

- Subject matter : GCPX agreed to lease Property I from GGPX principally for production, manufacturing and manufacturing support facilities purposes.
- Term : Commencing from 1 January 2022 to 31 December 2024 (both days inclusive).
- Rent : The annual rent for the three years ending 31 December 2024 are set out below:

	Year ending 31 December 2022 RMB	Year ending 31 December 2023 RMB	Year ending 31 December 2024 RMB
Annual rent	12,106,200	12,610,620	13,115,040

The rent is payable in advance on a monthly basis before the tenth day of each month.

The rents were determined by both parties after arm's-length negotiation with reference to:

- (i) the prevailing market rent as well as the qualities of other properties in the area surrounding Property I;
- (ii) the potential increase in market rentals during the term of the 2021 First Lease Agreement; and
- (iii) the historical annual caps and actual transaction amount are set out below:

	Year ending 31 December 2019 RMB'000	Year ending 31 December 2020 RMB'000	Year ending 31 December 2021 RMB'000
Annual cap	10,593	11,098	11,602
Actual transaction amount	10,089	10,569	9,208 for the ten months ended 31 October 2021

Renewal : GCPX has an option to renew the 2021 First Lease Agreement by a notice of three month prior to its expiry for a further period of three years, subject to satisfaction of all applicable disclosure requirements and obtaining of shareholders' approval (if required) under the Listing Rules.

(2) The 2021 Second Lease Agreement

Subject matter : GCPC agreed to lease Property II from GGPX principally for the usage as logistics warehouse purpose.

Term : Commencing from 1 January 2022 to 31 December 2024 (both days inclusive).

Rent : The annual rent for the three years ending 31 December 2024 are set out below:

	Year ending 31 December 2022 RMB	Year ending 31 December 2023 RMB	Year ending 31 December 2024 RMB
Annual rent	1,895,268	1,965,456	2,035,656

The rent is payable in advance on a monthly basis before the tenth day of each month.

The rents were determined by both parties after arm's-length negotiation with reference to:

- (i) the prevailing market rent as well as the qualities of other properties in the area surrounding Property II;
- (ii) the potential increase in market rentals during the term of the 2021 Second Lease Agreement; and
- (iii) the historical annual caps and actual transaction amount are set out below:

	Year ending 31 December 2019 RMB'000	Year ending 31 December 2020 RMB'000	Year ending 31 December 2021 RMB'000
Annual cap	1,847	1,924	2,001
Actual transaction amount	1,758	1,832	1,572 for the ten months ended 31 October 2021

Renewal : GCPC has an option to renew the 2021 Second Lease Agreement by a notice of three month prior to the expiry of the 2021 Second Lease Agreement for a further period of three years, subject to satisfaction of all applicable disclosure requirements and the obtaining of shareholders' approval (if required) under the Listing Rules.

REASONS AND BENEFITS

The 2021 Lease Agreements will renew the terms of the 2018 Lease Agreements. The entering of the 2021 Lease Agreements would continue to provide the Group with stable premises for its production and warehouse purposes as well as accommodation.

Each of the 2021 Lease Agreements was entered into after arm's length negotiation. The Directors (including the independent non-executive Directors excluding the Chairman, Ms. Fu Jingqiu and Mr. Liu Tongyou) consider that the terms of the 2021 Lease Agreements are fair and reasonable, on normal commercial terms or better so far as the Shareholders are concerned and are in the interest of the Company and Shareholders as a whole.

INFORMATION ON THE PARTIES

(1) The Group

The Group is principally engaged in the manufacture, distribution and retail of products for children.

GCPC is an indirect wholly owned subsidiary of the Company. It is principally engaged in the manufacture and sale of strollers, children's car seats, cribs, bicycles and tricycles, and other durable juvenile products.

GCPX is wholly-owned by GCPC. It is principally engaged in the manufacture and sale of strollers, children's bicycles and tricycles, cribs, and other durable juvenile products.

(2) The connected persons

GGCL is a company which is held as to approximately 67.11% by the Chairman and his spouse, 19.56% by Wang Haiye (王海燁) and 13.33% by Liu Tongyou (劉同友). It is principally engaged in the leasing of its properties.

GGPX is wholly-owned by GGCL. It is principally engaged in the leasing of its properties.

Each of GGCL and GGPX is an associate of the Chairman and a connected person of the Company.

LISTING RULES IMPLICATIONS

The right-of-use assets acquired under the 2021 Lease Agreements will be recognized by the Group in its consolidated statement of financial position in accordance with the IFRS 16. Accordingly, the entering into of the 2021 Lease Agreements and the transaction contemplated thereunder will be deemed as an acquisition of right-of-use assets by the Group. The total value of the right-of-use assets is estimated to be approximately RMB40,481,709 (equivalent to HK\$48,655,900), which is calculated with reference to the gross rental payments. As one or more of the applicable percentage ratios of the estimated value of the right-of-use assets to be recognized by the Company under the 2021 Lease Agreements are more than 0.1% but all of the applicable percentage ratios are less than 5%, the entering of 2021 Lease Agreements and the transaction contemplated thereunder is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Each of the Chairman, Ms. Fu Jingqiu and Mr. Liu Tongyou is considered to be interested in the transactions contemplated under the 2021 Lease Agreements and has abstained from voting for the resolution at the board meeting to approve the 2021 Lease Agreements.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set opposite them below:

“%”	per cent.
“2018 First Lease Agreement”	the agreement dated 28 August 2018 entered into between GCPX and GGPX in relation to the lease of Property I
“2018 Lease Agreements”	the 2018 First Lease Agreement and the 2018 Second Lease Agreement
“2018 Second Lease Agreement”	the agreement dated 28 August 2018 entered into between GCPC and GGPX in relation to the lease of Property II
“2021 First Lease Agreement”	the agreement dated 29 November 2021 entered into between GCPX and GGPX in relation to the lease of Property I
“2021 Lease Agreements”	the 2021 First Lease Agreement and the 2021 Second Lease Agreement
“2021 Second Lease Agreement”	the agreement dated 29 November 2021 entered into between GCPC and GGPX in relation to the lease of Property II
“Board”	the board of the Company

“Chairman”	Mr. Song Zhenghuan, the chairman of the Group and an executive Director
“Company”	Goodbaby International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“GCPC”	好孩子兒童用品有限公司 (Goodbaby Child Products Co., Ltd.*), a wholly foreign-owned enterprise established in the PRC and an indirect wholly owned subsidiary of the Company
“GCPX”	好孩子兒童用品平鄉有限公司 (Goodbaby Child Products Pingxiang Co., Ltd.*), a company established in the PRC and an indirect wholly owned subsidiary of the Company
“GGCL”	好孩子集團有限公司 (Goodbaby Group Co., Ltd.*), a company established in the PRC and controlled by the Chairman and his spouse, Ms. Fu Jingqiu
“GGPX”	好孩子集團平鄉有限公司 (Goodbaby Group Pingxiang Co., Ltd.*), a company established in the PRC and a wholly owned subsidiary of GGCL
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, excluding Taiwan, Hong Kong and Macao Special Administrative Region for the purpose of this announcement

“Property I”

collectively,

the premises situated on the south side of the eastern section of Zhonghua Road, Pingxiang County, Hebei Province, PRC (河北省平鄉縣城中華路東段南側) of a total of 84,070.8 square metres with building ownership certificates of Ji (2019) Pingxiang County Real Estate Title No. 0000490 (numbers before the renewal of building ownership certificates being Ping Fang Quan Zheng Qi Qu 03 Zi No. 563 (平房權證乞區03字第563號), Ping Fang Quan Zheng Qi Qu 03 Zi No. 564 (平房權證乞區03字第564號), Ping Fang Quan Zheng Qi Qu 03 Zi No. 565 (平房權證乞區03字第565號), Ping Fang Quan Zheng Qi Qu 03 Zi No. 566 (平房權證乞區03字第566號), Ping Fang Quan Zheng Qi Qu 03 Zi No. 567 (平房權證乞區03字第567號), Ping Fang Quan Zheng Qi Qu 03 Zi No. 568 (平房權證乞區03字第568號), Ping Fang Quan Zheng Qi Qu 03 Zi No. 569 (平房權證乞區03字第569號), Ping Fang Quan Zheng Qi Qu 03 Zi No. 570 (平房權證乞區03字第570號), Ping Fang Quan Zheng Qi Qu 03 Zi No. 703 (平房權證乞區03字第703號), Ping Fang Quan Zheng Qi Qu 03 Zi No. 706 (平房權證乞區03字第706號), respectively), Ping Fang Quan Zheng Qi Qu 03 Zi No. 704 (平房權證乞區03字第704號), Ping Fang Quan Zheng Qi Qu 03 Zi No. 705 (平房權證乞區03字第705號), Ping Fang Quan Zheng Qi Qu 03 Zi No. 707 (平房權證乞區03字第707號), Ping Fang Quan Zheng Qi Qu 03 Zi No. 708 (平房權證乞區03字第708號) and Ping Fang Quan Zheng Qi Qu 03 Zi No. 709 (平房權證乞區03字第709號);

“Property II”

the premises situated on the south side of the eastern section of Zhonghua Road, Pingxiang County, Hebei Province, PRC (河北省平鄉縣城中華路東段南側) of a total of 11,699.17 square metres with building ownership certificate of Ji (2019) Pingxiang County Real Estate Title No. 0000490 (number before the renewal of building ownership certificate being Ping Fang Quan Zheng Qi Qu 03 Zi No. 702 (平房權證乞區03字第702號))

“RMB”

Renminbi, the lawful currency of the PRC

“Shareholder(s)”

shareholder(s) of the Company

“Shares” ordinary shares of nominal value HK\$0.01 each in the capital of the Company

“Stock Exchange” The Stock Exchange of Hong Kong Limited

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

Hong Kong, 29 November 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.