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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 2022 AND PROPOSED ADOPTION OF THE SECOND AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION

Financial Highlights	For the year ended 31 December		Year-on-year change
	2022	2021	
	<i>(HK\$ in millions, unless specified)</i>		
Revenue	<b>8,292.2</b>	9,692.1	-14.4%
Gross profit	<b>3,355.9</b>	3,995.2	-16.0%
Operating profit <sup>1</sup>	<b>100.8</b>	166.0	-39.3%
Non-GAAP <sup>2</sup> operating profit	<b>146.9</b>	240.6	-38.9%
Profit for the year	<b>40.1</b>	127.6	-68.6%
Non-GAAP profit for the year	<b>79.0</b>	192.4	-58.9%
Profit for the year attributable to owners of the parent	<b>33.5</b>	123.8	-72.9%
EPS (HK\$)			
– basic	<b>0.02</b>	0.07	-71.4%
– diluted	<b>0.02</b>	0.07	-71.4%

<sup>1</sup> Operating profit represents the total sum of gross profit, other income and gains, less selling and distribution expenses, administrative expenses and other expenses.

<sup>2</sup> 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 2022 (the “**Period**”), together with the comparative figures for the year ended 31 December 2021 as below.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 December 2022*

	<i>Notes</i>	<b>2022</b> <i>(HK\$'000)</i>	2021 <i>(HK\$'000)</i>
Revenue	4	<b>8,292,152</b>	9,692,137
Cost of sales		<b>(4,936,271)</b>	(5,696,909)
Gross profit		<b>3,355,881</b>	3,995,228
Other income and gains	4	<b>165,429</b>	80,800
Selling and distribution expenses		<b>(2,072,449)</b>	(2,476,241)
Administrative expenses		<b>(1,345,590)</b>	(1,426,458)
Other expenses		<b>(2,437)</b>	(7,266)
Finance income	5	<b>42,971</b>	35,074
Finance costs	6	<b>(137,906)</b>	(90,594)
Share of profits and losses of:			
Joint ventures		<b>(4,621)</b>	1,277
An associate		<b>(85)</b>	(8)
<b>PROFIT BEFORE TAX</b>	7	<b>1,193</b>	111,812
Income tax credit	8	<b>38,935</b>	15,749
<b>PROFIT FOR THE YEAR</b>		<b>40,128</b>	127,561
<b>Attributable to:</b>			
Owners of the parent		<b>33,487</b>	123,817
Non-controlling interests		<b>6,641</b>	3,744
		<b>40,128</b>	127,561
<b>EARNINGS PER SHARE</b>			
<b>ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:</b>	<i>10</i>		
Basic			
For profit for the year (HK\$)		<b>0.02</b>	0.07
Diluted			
For profit for the year (HK\$)		<b>0.02</b>	0.07

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***Year Ended 31 December 2022*

	2022 (HK\$'000)	2021 (HK\$'000)
<b>PROFIT FOR THE YEAR</b>	<b>40,128</b>	127,561
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>		
<i>Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:</i>		
Cash flow hedges		
Effective portion of changes in fair value of hedging instruments arising during the year	(56,530)	24,044
Reclassification adjustments for gains/(losses) included in the consolidated statement of profit or loss	30,066	(12,807)
Income tax effect	3,666	(1,948)
	(22,798)	9,289
Exchange differences on translation of foreign operations	(572,752)	143,048
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	(595,550)	152,337
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Actuarial gains of defined benefit plans	384	489
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	384	489
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX</b>	<b>(595,166)</b>	152,826
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME</b>	<b>(555,038)</b>	280,387
Attributable to:		
Owners of the parent	(559,460)	275,959
Non-controlling interests	4,422	4,428
	(555,038)	280,387

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	<b>31 December 2022 (HK\$'000)</b>	31 December 2021 (HK\$'000)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>986,099</b>	1,031,631
Right-of-use assets		<b>330,552</b>	336,549
Goodwill		<b>2,631,379</b>	2,812,866
Other intangible assets		<b>2,086,571</b>	2,281,555
Investments in joint ventures		<b>9,497</b>	6,513
Investment in an associate		<b>4,396</b>	–
Deferred tax assets		<b>67,413</b>	85,109
Pledged deposits		<b>829,430</b>	1,152,021
Time deposits		<b>302,258</b>	–
Other long-term assets		<b>11,197</b>	11,294
		<hr/>	<hr/>
Total non-current assets		<b>7,258,792</b>	7,717,538
<b>CURRENT ASSETS</b>			
Inventories	<i>11</i>	<b>1,902,009</b>	2,402,801
Trade receivables	<i>12</i>	<b>997,328</b>	1,247,410
Prepayments and other receivables		<b>572,204</b>	641,951
Due from related parties		<b>2,503</b>	6,775
Financial assets at fair value through profit or loss		<b>28,519</b>	17,824
Cash and cash equivalents		<b>921,961</b>	1,087,413
Pledged deposits		<b>16,018</b>	9,454
Derivative financial instruments	<i>13</i>	<b>15,361</b>	40,546
		<hr/>	<hr/>
Total current assets		<b>4,455,903</b>	5,454,174
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>14</i>	<b>1,169,653</b>	1,636,633
Other payables and accruals		<b>784,438</b>	905,027
Income tax payable		<b>32,019</b>	39,483
Provision		<b>72,167</b>	99,003
Interest-bearing bank loans and other borrowings	<i>15</i>	<b>1,181,953</b>	1,223,104
Lease liabilities		<b>102,936</b>	98,979
Derivative financial instruments	<i>13</i>	<b>44,098</b>	4,260
Due to related parties		<b>730</b>	604
Defined benefit plan liabilities		<b>359</b>	337
		<hr/>	<hr/>
Total current liabilities		<b>3,388,353</b>	4,007,430
<b>NET CURRENT ASSETS</b>		<hr/> <b>1,067,550</b>	<hr/> 1,446,744
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> <b>8,326,342</b>	<hr/> 9,164,282

	<i>Notes</i>	<b>31 December 2022 (HK\$'000)</b>	31 December 2021 (HK\$'000)
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank loans and other borrowings	15	2,172,825	2,294,380
Provision		29,295	53,870
Defined benefit plan liabilities		2,882	3,534
Other liabilities		1,934	2,129
Lease liabilities		197,236	201,925
Deferred tax liabilities		364,517	510,940
		<hr/>	<hr/>
Total non-current liabilities		2,768,689	3,066,778
		<hr/>	<hr/>
<b>Net assets</b>		<b>5,557,653</b>	<b>6,097,504</b>
		<hr/>	<hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		16,680	16,680
Reserves		5,499,998	6,044,271
		<hr/>	<hr/>
		5,516,678	6,060,951
		<hr/>	<hr/>
<b>Non-controlling interests</b>		<b>40,975</b>	<b>36,553</b>
		<hr/>	<hr/>
<b>Total equity</b>		<b>5,557,653</b>	<b>6,097,504</b>
		<hr/>	<hr/>

## NOTES TO FINANCIAL STATEMENTS

### 1. CORPORATE AND GROUP INFORMATION

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

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

#### Information about subsidiaries

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

Name of company	Place and date of incorporation/ registration and place of operation	Percentage of equity interest attributable to the Company		Issued ordinary/ registered share capital	Principal activities
		Direct	Indirect		
<b>Subsidiaries</b>					
Goodbaby (Hong Kong) Limited ("GBHK")	Hong Kong, 23 July 1999	100%	–	Hong Kong Dollar ("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/Mainland China"), 18 November 1994	–	100%	United States Dollar ("US\$") 66,660,000	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/Mainland China, 9 September 1996	–	85%	Renminbi ("RMB") 10,000,000	Manufacture, distribution and sale of child cloth beds, infant strollers, bath chairs for children and stadium chairs
Pingxiang Goodbaby Child Products Co., Ltd. ("GCPX") (Note (a) and (b))	PRC/Mainland China, 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/Mainland China, 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")	The United States ("U.S."), 28 May 2014	–	100%	US\$1,000	Investment holding

Name of company	Place and date of incorporation/ registration and place of operation	Percentage of equity interest attributable to the Company		Issued ordinary/ registered share capital	Principal activities
		Direct	Indirect		
<b>Subsidiaries</b>					
Evenflo Company, Inc. ("EFCD")	U.S., 1 October 1992	–	100%	US\$86,500	Manufacture, distribution and sale of car safety seats, infant strollers and baby related products
Muebles Para Ninos De Baja, S.A. De C.V. ("EFMX")	Mexico, 29 June 1987	–	100%	Mexican Peso 1,720,000	Manufacture of baby related products
Goodbaby Canada Inc. ("EFCA")	Canada, 18 March 1991	–	100%	US\$7,000	Distribution and sale of baby related products
Columbus Trading-Partners GmbH & Co. KG ("CTPE")	Germany, 26 February 2016	–	100%	Euro ("EUR") 100	Distribution and sale of car safety seats, infant strollers and other parenting products
Goodbaby Czech Republic s.r.o. ("GBCZ")	Czech Republic, 8 February 2016	–	100%	Czech Koruna 200,000	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%	Japanese Yen ("JPY") 2,200,000	Distribution and sale of car safety seats, infant strollers and other parenting products

Name of company	Place and date of incorporation/ registration and place of operation	Percentage of equity interest attributable to the Company		Issued ordinary/ registered share capital	Principal activities
		Direct	Indirect		
<b>Subsidiaries</b>					
Cybox Retail GmbH ("CBRG")	Germany, 20 October 2021	–	100%	EUR25,000	Wholesale and retail of children's products
Goodbaby (China) Retail & Service Company ("GRCN") (Note (a), (b) and (c))	PRC/Mainland China, 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/Mainland China, 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/Mainland China, 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 wholly-foreign-owned enterprises in the PRC

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



## 2.1 BASIS OF PREPARATION

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

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2022. 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).

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

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

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

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

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

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “**Conceptual Framework**”) issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRSs 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- *IFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As the fees included in the modification of the Group's financial liabilities during the year meet the definition above, the amendment did not have any impact on the financial position or 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 2022**

	Strollers and accessories (HK\$'000)	Car seats and accessories (HK\$'000)	Non-durable products (HK\$'000)	Others (HK\$'000)	Consolidated (HK\$'000)
<b>Segment revenue</b>					
<b>Sales to external customers</b>	3,313,938	3,190,042	799,695	988,477	8,292,152
<b>Segment results</b>	1,383,169	1,312,367	396,174	264,171	3,355,881
Other income and gains					165,429
Corporate and other unallocated expenses					(3,429,044)
Other expenses					(2,437)
Finance income					42,971
Finance costs (other than interest on lease liabilities)					(126,901)
Share of profits and losses of joint ventures					(4,621)
Share of profits and losses of an associate					(85)
<b>Profit before tax</b>					1,193
<b>Other segment information:</b>					
Impairment losses recognised in the statement of profit or loss, net	7,881	4,584	3,500	1,413	17,378
Depreciation and amortisation	207,428	184,493	46,129	44,024	482,074

**Year ended 31 December 2021**

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

## Geographical information

### (a) Revenue from external customers

	European market (HK\$'000)	North America market (HK\$'000)	Mainland China market (HK\$'000)	Other overseas markets (HK\$'000)	Total (HK\$'000)
<b>Year ended 31 December 2022</b>					
<b>Segment revenue:</b>					
Sales to external customers	3,124,784	3,011,209	1,616,200	539,959	8,292,152
<b>Year ended 31 December 2021</b>					
<b>Segment revenue:</b>					
Sales to external customers	3,526,418	3,148,253	2,515,295	502,171	9,692,137

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

### (b) Non-current assets

	2022 (HK\$'000)	2021 (HK\$'000)
Mainland China	5,156,734	5,536,212
North America	1,016,219	989,234
Europe	993,336	1,089,176
	<b>7,166,289</b>	<b>7,614,622</b>

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

## Information about two major customers

During the year ended 31 December 2022, revenue from sales to the two major third-party customers were HK\$982,117,000 and HK\$942,188,000, respectively (2021: one major customer amounting to HK\$979,716,000). The revenue from sales to the customers were 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 the customers.

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

An analysis of revenue is as follows:

	2022 (HK\$'000)	2021 (HK\$'000)
<i>Revenue from contracts with customers</i>		
Sale of goods	8,258,811	9,657,536
Rendering of testing services	33,341	34,601
	<u>8,292,152</u>	<u>9,692,137</u>

#### Revenue from contracts with customers

##### (i) Disaggregated revenue information

#### For the year ended 31 December 2022

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>
<b>Type of goods or services</b>					
Sale of goods	3,313,938	3,190,042	799,695	955,136	8,258,811
Rendering of testing services	–	–	–	33,341	33,341
	<u>3,313,938</u>	<u>3,190,042</u>	<u>799,695</u>	<u>988,477</u>	<u>8,292,152</u>
Total revenue from contracts with customers	<u>3,313,938</u>	<u>3,190,042</u>	<u>799,695</u>	<u>988,477</u>	<u>8,292,152</u>
<b>Timing of revenue recognition</b>					
Goods transferred at a point in time	3,313,938	3,190,042	799,695	955,136	8,258,811
Services transferred at a point in time	–	–	–	33,341	33,341
	<u>3,313,938</u>	<u>3,190,042</u>	<u>799,695</u>	<u>988,477</u>	<u>8,292,152</u>
Total revenue from contracts with customers	<u>3,313,938</u>	<u>3,190,042</u>	<u>799,695</u>	<u>988,477</u>	<u>8,292,152</u>
<b>Revenue from contracts with customers</b>					
External customers	<u>3,313,938</u>	<u>3,190,042</u>	<u>799,695</u>	<u>988,477</u>	<u>8,292,152</u>

**For the year ended 31 December 2021**

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

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:

	<b>2022</b> <i>(HK\$'000)</i>	2021 <i>(HK\$'000)</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	<u>124,755</u>	<u>146,226</u>

(ii) *Performance obligations*

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

Sale of goods

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

Rendering of testing services

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

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at 31 December 2022 are as follows:

	<b>2022</b> <i>(HK\$'000)</i>	2021 <i>(HK\$'000)</i>
Amounts expected to be recognised as revenue:		
Within one year	<b>122,868</b>	124,755

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

#### Other income and gains

	<b>2022</b> <i>(HK\$'000)</i>	2021 <i>(HK\$'000)</i>
Other income and gains:		
Government grants <i>(note (a))</i>	<b>43,513</b>	53,144
Net foreign exchange gain	<b>41,987</b>	–
Gain on disposal of fixed assets <i>(note (b))</i>	<b>22,342</b>	–
Gain on sales of scrap materials <i>(note (c))</i>	<b>10,518</b>	10,890
Compensation income <i>(note (d))</i>	<b>9,711</b>	7,225
Service fee income	<b>6,660</b>	1,344
Fair value gains, net:		
Gains on call/put options over non-controlling interests	<b>10,010</b>	2,640
Derivative instruments – transactions not qualifying as hedges	<b>12,470</b>	1,249
Gain on wealth investment products	<b>103</b>	841
Others	<b>8,115</b>	3,467
Total	<b>165,429</b>	80,800

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

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

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

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

#### 5. FINANCE INCOME

	<b>2022</b> <i>(HK\$'000)</i>	2021 <i>(HK\$'000)</i>
Interest income on bank deposits	<b>42,971</b>	35,074



## 6. FINANCE COSTS

	2022 (HK\$'000)	2021 (HK\$'000)
Interest on bank loans, overdrafts and other loans	126,901	81,316
Interest on lease liabilities	11,005	9,278
	<u>137,906</u>	<u>90,594</u>

## 7. PROFIT BEFORE TAX

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

	Notes	2022 (HK\$'000)	2021 (HK\$'000)
Cost of inventories sold		4,918,149	5,681,016
Cost of services provided		18,122	15,893
Depreciation of property, plant and equipment		298,236	304,586
Depreciation of right-of-use assets		117,284	130,443
Amortisation of intangible assets		66,554	65,319
Research and development costs		406,964	418,866
Lease payments not included in the measurement of lease liabilities		26,487	32,861
Auditors' remuneration		9,182	9,072
Employee benefit expense (including directors' remuneration):			
Wages, salaries and other benefits		1,686,616	1,728,891
Share option expense		15,187	35,540
Pension scheme costs (defined benefit plans) (including administrative expense)		89	89
Pension scheme contributions*		100,617	100,989
		<u>1,802,059</u>	<u>1,865,509</u>
Net foreign exchange (gain)/loss		(41,987)	4,861
Impairment of trade receivables	12	9,346	4,474
Provision of inventories		8,032	2,940
Product warranties and liabilities		45,253	85,246
Fair value gains, net:			
Derivative instruments – transactions not qualifying as hedges		(12,470)	(1,249)
Gains on call/put options over non-controlling interests		(10,010)	(2,640)
Gain on wealth investment products		(103)	(841)
(Gain)/loss on disposal of items of property, plant and equipment		(22,342)	114
Loss on disposal of intangible assets		49	200
Bank interest income		(42,971)	(35,074)
		<u>(42,971)</u>	<u>(35,074)</u>

\* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

## 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% (2021: 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 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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 1% to 12% 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%.

The Group’s subsidiary registered in Canada is subject to Federal income tax based on the taxable income at the rate of 15% and provincial and territorial income tax at rates ranging from 8% to 16%.

The Group’s subsidiary registered in the United Arab Emirates is subject to income tax at the rate of 0%. However, the federal UAE CIT will be introduced from June 2023. The standard tax rate is 9%.

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

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

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

	<b>2022</b> <i>(HK\$'000)</i>	2021 <i>(HK\$'000)</i>
Current – income tax		
Charge for the year	<b>48,366</b>	38,516
Deferred income tax	<b>(87,301)</b>	(54,265)
	<hr/>	<hr/>
Income tax credit reported in the statement of profit or loss	<b>(38,935)</b>	(15,749)
	<hr/>	<hr/>

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

	<b>2022</b> <i>(HK\$'000)</i>	2021 <i>(HK\$'000)</i>
Profit before tax	<b>1,193</b>	111,812
Expected income tax based on different rates applicable to profits in the countries covered	<b>(10,921)</b>	3,782
Temporary difference and tax losses utilized from prior years	<b>(15,152)</b>	–
Temporary difference and tax losses not recognised	<b>4,371</b>	4,115
Tax credit arising from additional deduction of R&D expenditures of PRC subsidiaries	<b>(14,910)</b>	(29,140)
Tax effect on non-taxable income	<b>(11,141)</b>	(1,164)
Tax effect on non-deductible expenses	<b>8,818</b>	6,658
	<hr/>	<hr/>
Income tax credit	<b>(38,935)</b>	(15,749)
	<hr/>	<hr/>

## 9. DIVIDENDS

The Board did not recommend the payment of any dividend for the years ended 31 December 2022 and 2021.

## 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 1,668,031,166 in issue during the year (2021: 1,668,027,659).

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

The calculation of earnings per share is based on:

	<b>2022</b> <i>(HK\$'000)</i>	2021 <i>(HK\$'000)</i>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>33,487</u>	<u>123,817</u>
	<b>Number of shares</b>	
	<b>2022</b>	2021
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b>1,668,031,166</b>	1,668,027,659
Effect of dilution - weighted average number of ordinary shares: Share options	<u>–</u>	<u>1,738,426</u>
Total	<u><b>1,668,031,166</b></u>	<u>1,669,766,085</u>
<b>11. INVENTORIES</b>		
	<b>2022</b> <i>(HK\$'000)</i>	2021 <i>(HK\$'000)</i>
Raw materials	<b>273,698</b>	341,062
Work in progress	<b>20,176</b>	59,372
Finished goods	<u><b>1,608,135</b></u>	<u>2,002,367</u>
	<u><b>1,902,009</b></u>	<u>2,402,801</u>
<b>12. TRADE RECEIVABLES</b>		
	<b>2022</b> <i>(HK\$'000)</i>	2021 <i>(HK\$'000)</i>
Trade receivables	<b>1,040,037</b>	1,282,135
Impairment of trade receivables	<u><b>(42,709)</b></u>	<u>(34,725)</u>
	<u><b>997,328</b></u>	<u>1,247,410</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is up to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to 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.

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

	<b>2022</b> <i>(HK\$'000)</i>	2021 <i>(HK\$'000)</i>
Within 3 months	<b>906,679</b>	1,171,109
3 to 6 months	<b>33,004</b>	39,751
6 months to 1 year	<b>28,719</b>	30,388
Over 1 year	<b>28,926</b>	6,162
	<b>997,328</b>	1,247,410

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

	<b>2022</b> <i>(HK\$'000)</i>	2021 <i>(HK\$'000)</i>
At beginning of year	<b>34,725</b>	31,484
Impairment losses, net	<b>9,346</b>	4,474
Exchange realignment	<b>(1,362)</b>	(1,233)
At end of year	<b>42,709</b>	34,725

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.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

**As at 31 December 2022**

	<b>Within 3 months</b>	<b>3 to 6 months</b>	<b>6 months to 1 year</b>	<b>Over 1 year</b>	<b>Total</b>
Expected credit loss rate	0.34%	4.01%	8.76%	55.11%	4.11%
Gross carrying amount (HK\$'000)	909,740	34,383	31,478	64,436	1,040,037
Expected credit losses (HK\$'000)	3,061	1,379	2,759	35,510	42,709

**As at 31 December 2021**

	<b>Within 3 months</b>	<b>3 to 6 months</b>	<b>6 months to 1 year</b>	<b>Over 1 year</b>	<b>Total</b>
Expected credit loss rate	0.09%	4.13%	7.80%	82.69%	2.71%
Gross carrying amount (HK\$'000)	1,172,121	41,465	32,958	35,591	1,282,135
Expected credit losses (HK\$'000)	1,012	1,714	2,570	29,429	34,725

**13. DERIVATIVE FINANCIAL INSTRUMENTS**

	<b>2022</b>	
	<b>Assets (HK\$'000)</b>	<b>Liabilities (HK\$'000)</b>
Forward currency contracts – designated as hedging instruments	<b>15,361</b>	<b>44,098</b>
	2021	
	<b>Assets (HK\$'000)</b>	<b>Liabilities (HK\$'000)</b>
Forward currency contracts – designated as hedging instruments	40,546	4,260

*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 2022						
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	116,951	191,019	101,357	–	–	409,327
Average forward rate (US\$/RMB)	6.5669	6.8989	6.9782	–	–	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	432,088	249,282	257,591	235,987	–	1,174,948
Average forward rate (EUR/RMB)	7.1082	7.2135	7.2396	7.2545	–	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	39,719	37,494	30,352	26,781	8,927	143,273
Average forward rate (GBP/EUR)	1.0662	1.1604	1.1547	1.1494	1.1457	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	5,334	4,846	5,256	5,317	1,673	22,426
Average forward rate (CHF/EUR)	1.0024	1.0339	1.0374	1.0408	1.0429	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	20,778	–	–	–	–	20,778
Average forward rate (EUR/JPY)	132.77	–	–	–	–	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	29,389	8,792	8,792	8,792	21,101	76,866
Average forward rate (JPY/EUR)	0.0075	0.0074	0.0074	0.0074	0.0074	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	1,924	–	–	–	–	1,924
Average forward rate (EUR/CHF)	0.9449	–	–	–	–	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	1,655	–	–	–	–	1,655
Average forward rate (NOK/EUR)	0.0987	–	–	–	–	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	1,723	–	–	–	–	1,723
Average forward rate (EUR/NOK)	10.1272	–	–	–	–	

	Less than 3 months	Maturity				Total
		3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	7,231	–	–	–	–	7,231
Average forward rate (SEK/EUR)	0.0934	–	–	–	–	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	32,399	–	–	–	–	32,399
Average forward rate (CAD/USD)	0.7990	–	–	–	–	
Foreign currency forward contracts (highly probable forecasted sales)						
Notional amounts (HK\$'000)	23,825	23,666	23,535	23,410	–	94,436
Average forward rate (EUR/USD)	1.0463	1.0533	1.0592	1.0649	–	

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
<b>As at 31 December 2022</b>			
Foreign currency forward contracts	457,540	15,361	Derivative financial instruments (assets)
Foreign currency forward contracts	1,529,446	(44,098)	Derivative financial instruments (liabilities)

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

	Change in fair value used for measuring hedge ineffectiveness for the year (HK\$'000)	Hedging reserve (HK\$'000)
<b>As at 31 December 2022</b>		
Highly probable forecast sales	(5,939)	(22,798)



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

	Total hedging gains/(losses) recognised in other comprehensive income			Hedge ineffectiveness recognised in profit or loss	Line item in the statement of profit or loss	Amounts reclassified from other comprehensive income to profit or loss			Line item (gross amount) in the statement of profit or loss
	Gross amounts			Total		Gross amounts			
	(HK\$'000)	Tax effects (HK\$'000)	(HK\$'000)			(HK\$'000)	(HK\$'000)	Tax effects (HK\$'000)	
As at 31 December 2022									
Highly probable forecast sales	(56,530)	8,105	(48,425)	12,470	Other income and gains	30,066	(4,439)	25,627	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:

	2022 (HK\$'000)	2021 (HK\$'000)
Within 3 months	858,407	1,368,263
3 to 12 months	300,273	261,248
1 to 2 years	7,687	3,297
2 to 3 years	1,173	3,074
Over 3 years	2,113	751
	<u>1,169,653</u>	<u>1,636,633</u>

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

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

		As at 31 December 2022		As at 31 December 2021	
		Maturity	HK\$'000	Maturity	HK\$'000
Current					
Bank overdrafts – secured	Note (a) and note (b)	2023	217,974	2022	301,238
Bank overdrafts – unsecured	Note (a)	2023	1,503	2022	156
Current portion of long-term bank loans – unsecured		2023	–	2022	489,357
Current portion of long-term bank loans – secured	Note (b)	2023	364,481		–
Bank borrowings – secured	Note (b)	2023	290,139	2022	334,013
Bank borrowings – unsecured		2023	307,856	2022	97,872
Promissory note	Note (c)		–	2022	468
			<u>1,181,953</u>		<u>1,223,104</u>
Non-current					
Bank borrowings – secured	Note (b)	2024-2025	1,691,450	2023-2024	2,294,380
Bank borrowings – unsecured		2024-2025	481,375		–
			<u>2,172,825</u>		<u>2,294,380</u>
Total			<u>3,354,778</u>		<u>3,517,484</u>

*Note (a):* The bank overdraft facilities amounted to HK\$361,458,000 of which HK\$219,477,000 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 2022, certain of the Group's bank loans are secured by:

- (i) standby letters of credit and letters of guarantee from certain banks issued by a subsidiary of the Group;
- (ii) the guarantee from the Company;
- (iii) certain machinery amounting to HK\$2,347,000; and

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

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

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

*Note (d):* The effective interest rates of the bank loans and other borrowings range from 0.63% to 6.18% (2021: 0.59% to 3.1%).

	2022 (HK\$'000)	2021 (HK\$'000)
<b>Analysed into:</b>		
Bank loans and overdrafts repayable:		
Within one year	1,181,953	1,223,104
In the second year	2,139,241	220,062
In the third year	33,584	2,074,318
	<u>3,354,778</u>	<u>3,517,484</u>

## 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 closing price of the Company's shares as quoted on the Stock Exchange on the date of offer of the share options; (ii) the average closing price of the Company's shares as quoted on the Stock Exchange 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:

	<b>Weighted average exercise price HK\$ per share</b>	<b>Number of options '000</b>
At 1 January 2021	3.984	109,080
Forfeited during the year	3.750	<u>(2,400)</u>
At 31 December 2021 and 1 January 2022	3.989	106,680
Forfeited during the year	3.750	<u>(2,810)</u>
At 31 December 2022	3.996	<u>103,870</u>

No share options were exercised or cancelled during the years ended 31 December 2022 (2021: nil).

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

## 2022

Number of options '000	Exercise price <i>HK\$ per share</i>	Exercise period
7,327	3.58	29 September 2017 to 28 September 2024
8,826	3.58	29 September 2018 to 28 September 2024
8,126	3.58	29 September 2019 to 28 September 2024
3,267	3.75	7 October 2018 to 6 October 2025
3,267	3.75	7 October 2019 to 6 October 2025
3,267	3.75	7 October 2020 to 6 October 2025
6,300	4.54	27 September 2020 to 27 March 2028
9,450	4.54	27 September 2021 to 27 March 2028
15,750	4.54	27 September 2022 to 27 March 2028
720	5.122	28 May 2021 to 27 May 2028
1,080	5.122	28 May 2022 to 27 May 2028
1,800	5.122	28 May 2023 to 27 May 2028
6,970	3.75	23 May 2022 to 22 May 2029
10,395	3.75	23 May 2023 to 22 May 2029
17,325	3.75	23 May 2024 to 22 May 2029
<hr/>		
103,870		
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## 2021

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

	<b>Weighted average exercise price <i>HK\$ per share</i></b>	<b>Number of options <i>'000</i></b>
At 1 January 2021	0.969	31,627
Forfeited during the year	0.988	(2,200)
Exercised during the year	0.960	<u>(8)</u>
At 31 December 2021 and 1 January 2022	0.966	29,419
Granted and accepted during the year	1.042	675
Forfeited during the year	0.969	<u>(1,663)</u>
At 31 December 2022	0.943	<u>28,431</u>

No share options were exercised or cancelled during the years ended 31 December 2022 and the weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2021 was HK\$1.80 per share.

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

**2022**

<b>Number of options <i>'000</i></b>	<b>Exercise price <i>HK\$ per share</i></b>	<b>Exercise period</b>
93	0.96	28 August 2020 to 27 August 2027
93	0.96	28 August 2021 to 27 August 2027
93	0.96	28 August 2022 to 27 August 2027
2,108	0.96	27 September 2020 to 27 March 2028
3,161	0.96	27 September 2021 to 27 March 2028
5,268	0.96	27 September 2022 to 27 March 2028
180	0.96	28 May 2021 to 27 May 2028
270	0.96	28 May 2022 to 27 May 2028
430	0.96	28 May 2023 to 27 May 2028
2,483	0.96	23 May 2022 to 22 May 2029
3,594	0.96	23 May 2023 to 22 May 2029
5,991	0.96	23 May 2024 to 22 May 2029
798	1.01	11 December 2023 to 10 December 2030
1,198	1.01	11 December 2024 to 10 December 2030
1,996	1.01	11 December 2025 to 10 December 2030
135	1.042	16 June 2025 to 15 June 2032
202	1.042	16 June 2026 to 15 June 2032
338	1.042	16 June 2027 to 15 June 2032
<u>28,431</u>		

**2021**

Number of options '000	Exercise price <i>HK\$ per share</i>	Exercise period
280	0.96	28 August 2020 to 27 August 2027
93	0.96	28 August 2021 to 27 August 2027
93	0.96	28 August 2022 to 27 August 2027
2,174	0.96	27 September 2020 to 27 March 2028
3,262	0.96	27 September 2021 to 27 March 2028
5,316	0.96	27 September 2022 to 27 March 2028
216	0.96	28 May 2021 to 27 May 2028
324	0.96	28 May 2022 to 27 May 2028
540	0.96	28 May 2023 to 27 May 2028
2,564	0.96	23 May 2022 to 22 May 2029
3,846	0.96	23 May 2023 to 22 May 2029
6,409	0.96	23 May 2024 to 22 May 2029
860	1.01	11 December 2023 to 10 December 2030
1,291	1.01	11 December 2024 to 10 December 2030
2,151	1.01	11 December 2025 to 10 December 2030
<hr style="width: 100%; border: 0.5px solid black; margin-top: 5px; margin-bottom: 5px;"/> 29,419		

The fair value of the share options granted during the year ended 31 December 2022 was HK\$337,500, of which the Group recognised share option expenses of HK\$22,000.

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

	<b>Share options granted on 16 June 2022</b>
Fair value under binomial model (HK\$)	337,500
Dividend yield (%)	0.00
Spot stock price (HK\$ per share)	1.042
Historical volatility (%)	46.73
Risk-free interest rate (%)	3.342
Expected life of options (year)	10

The risk-free rate for periods within the contractual life of the option is based on the yield of Hong Kong Exchange Fund Notes.

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

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

The Group overall recognised a share option expense of HK\$15,187,000 (2021: HK\$35,540,000) for the year ended 31 December 2022.

At the end of the reporting period, the Company had 103,870,000 and 28,431,300 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 132,301,300 additional ordinary shares of the Company and additional share capital of HK\$1,323,010 and share premium of HK\$440,563,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 103,270,000 and 28,149,500 share options outstanding under the 2010 Share Option Scheme and 2020 Share Option Scheme respectively, which represented approximately 6.19% and 1.69% of the Company's shares in issue as at that date.

#### **17. EVENTS AFTER THE REPORTING PERIOD**

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



## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

#### **The Group Achieves Profitability Momentum despite Global Macro Environment Challenges**

The Group successfully navigated through many varied challenges that prevailed throughout the Period, including pandemic-related lockdowns in China, dramatic and unprecedented logistics and inflation related costs outside China, continued global supply chain disruptions, a fourth quarter inventory destocking period by North American retailers and overall shaken global consumer confidence due to the pandemic, regional geopolitical conflicts and elevated inflation along with the continued sharp decline in birth rate in China.

Due to these global and regionally specific challenges, the Group's revenue and profitability were both strongly impacted. However, thanks to the strong competitive strengths built on its vertically integrated "One-Dragon" platform of own brands, omni-channel distribution platforms, own manufacturing and operational services, balanced brand mix and geographic footprints, the Group as a whole weathered these unprecedented storms. During the Period, the Group implemented competitive price increases, initiated cost reduction measures and efficiency improvement measures in all business units and focused on profitability improvement and cashflow management while maintaining prudent investments in innovation. As a result, the Group managed to record positive full-year net profit in the extremely volatile global environment and generated an operating profitability rebound and strong operating cashflow in the second half of the year, showcasing the Group's resilience.

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

1. Recorded positive full-year net profit with operating profitability rebound in the second half of 2022 versus the second half of 2021 and versus the first half of 2022 and strong operating cashflow in the second half of 2022;
2. Increased market share in Europe, North America and Japan;
3. Competitive price increases implemented in the second half of the year improved profitability due to the strength of our respective brands;
4. Strength of the Group's One-Dragon vertically integrated platform of own brands, omni-channel distribution platforms, own manufacturing and operational services enabled the Group to absorb significant negative developments and thus outperform competition;
5. Our diversified portfolio of brands and balanced global footprint minimized risk in any one territory and resulted in a strong global competitive advantage;
6. Strategic and dedicated investments in innovation to maintain competitive strength;
7. Continued to extend own D2C online retail platforms in key markets and extended our international wholesale distribution platform.

Our revenue for the Period decreased by 14.4% to approximately HK\$8,292.2 million from approximately HK\$9,692.1 million for the corresponding period in 2021. During the Period, foreign exchange rate fluctuations impacted the overall revenue growth. On a constant currency basis, our revenue for the Period recorded a 10.9% decrease compared to the corresponding period in 2021. Our reported gross profit decreased by 16.0% to approximately HK\$3,355.9 million for the Period from approximately HK\$3,995.2 million for the corresponding period in 2021. Our reported operating profit decreased by 39.3% to approximately HK\$100.8 million from approximately HK\$166.0 million for the corresponding period in 2021 and our reported net profit decreased by 68.6% to approximately HK\$40.1 million for the Period from approximately HK\$127.6 million for the corresponding period in 2021. Additionally, on a non-GAAP basis, our operating profit decreased by 38.9% to approximately HK\$146.9 million for the Period from approximately HK\$240.6 million for the corresponding period in 2021 and our net profit decreased by 58.9% to approximately HK\$79.0 million for the Period from approximately HK\$192.4 million for the corresponding period in 2021.

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

(HK\$ million)	For the year ended 31 December		Change (%)	Change on a constant currency basis (%)		
	2022	2021				
<b>Group Revenue</b>	\$8,292.2	\$9,692.1	-14.4%	-10.9%		
	<b>Amount</b>	<b>% of Revenue</b>	<b>Amount</b>	<b>% of Revenue</b>	<b>Change (%)</b>	<b>Change on a constant currency basis (%)</b>
<b>Strategic Brands</b>	\$7,063.4	85.2%	\$7,665.7	79.1%	-7.9%	-3.4%
CYBEX	3,285.3	39.6%	3,384.5	34.9%	-2.9%	7.3%
gb	1,473.4	17.8%	2,298.6	23.7%	-35.9%	-34.0%
Evenflo	<u>2,304.7</u>	<u>27.8%</u>	<u>1,982.6</u>	<u>20.5%</u>	<u>16.2%</u>	<u>13.9%</u>
<b>Blue Chip</b>	\$874.7	10.5%	\$1,535.5	15.8%	-43.0%	-43.1%

## EXECUTIVE SUMMARY

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

- **CYBEX** brand recorded a slight revenue decrease of 2.9% (a 7.3% increase on a constant currency basis) in the Period to approximately HK\$3,285.3 million from approximately HK\$3,384.5 million for the corresponding period in 2021. Consumer demand remained strong, contributing to very strong revenue growth in the first quarter; however, revenue development was tempered thereafter due to product availability challenges resulting from factory shutdowns in China in the second quarter, ongoing global supply chain disruptions, volatile consumer confidence resulting from geopolitical conflicts in Europe and high inflation, and unfavorable foreign exchange fluctuations. The brand fundamentals remained robust backed by its strong brand position, disruptive and innovative product portfolio and new launches. As a leading premium brand, CYBEX continued to provide unique premium consumer experience by offering creative and quality services and products through its continuous expansion of global omni-channel distribution network, including the successful owned e-commerce platform. During the Period, CYBEX was awarded 1 “very good” rating and 5 “good” ratings in ADAC, 4 Reddot design awards and 5 German Design awards. These were part of its efforts to constantly hone CYBEX's brand image and to provide exceptional and innovative products across a range of consumer touchpoints amidst the external turbulences and disruptions. As a result, CYBEX continued to outperform its competitors and increase its market share in all key markets.
- **gb** brand recorded a decrease in revenue of 35.9% (a 34.0% decrease on a constant currency basis) in the Period to approximately HK\$1,473.4 million from approximately HK\$2,298.6 million for the corresponding period in 2021. In its key China market, consistent pandemic-related lockdowns and restrictions throughout the Period caused offline store and warehouse closures, significantly disrupted logistic deliveries, suspended wholesale activities and weakened consumer confidence across the country. During the Period, China's birth rate experienced another deep decline. These factors combined severely impacted the brand's revenue both online and offline as well as its profitability. During the Period, the gb brand executed aggressive remediation actions to continue its business right-sizing and brand transformation and focused on profitability improvement and cashflow management. Notwithstanding the challenges during the Period, gb received several international design awards in recognition of its steadfast commitment of continued investment in product development, innovation and design.

- **Evenflo** brand achieved record revenue with a growth rate of 16.2% (a 13.9% increase on a constant currency basis) in the Period to approximately HK\$2,304.7 million from approximately HK\$1,982.6 million for the corresponding period in 2021. The brand's strong growth momentum, though partially offset by a significant order downturn in the fourth quarter due to overall inventory destocking by major retailers in the United States, was primarily driven by its growth in digital channels and strong consumer acceptance of innovative products, elevated product portfolio and elevated brand image. Evenflo outperformed the competition and increased its market share. The brand absorbed significant excess freight costs during the Period, which was partially offset by competitive price increases implemented in the second half of the year. The successfully improved product mix has contributed to gross margin improvement and average selling price increase.

During the Period, our Blue Chip business recorded a significant revenue decrease of 43.0% (a 43.1% decrease on a constant currency basis) to approximately HK\$874.7 million as compared to approximately HK\$1,535.5 million for the corresponding period in 2021. The revenue decrease was primarily attributable to order slowdowns caused by customer and retailer inventory destocking due to global logistic challenges and weakening consumer demands amidst a volatile macro environment. The Group's relationship with its Blue Chip customers remained stable.

During the Period, the Group's revenue from other business units including the Group's tactical brands approximated HK\$354.1 million as compared to approximately HK\$490.9 million in the corresponding period of 2021. The 27.9% decrease (a 28.1% decrease on a constant currency basis) was caused by COVID-19 related impacts combined with continued portfolio rationalization.

## **OUTLOOK**

**As pandemic-related restrictions in China continue to be lifted, global supply chain disruptions have stabilized, and the world macro economic environment starts to show signs of recovery, the Group expects its business to rebound.**

The Group will continue its focused strategy in strategic brands of CYBEX, gb and Evenflo and the ongoing development of the Blue Chip business.

**CYBEX** will generate robust global revenue growth momentum across all key geographic regions and increase its market share in the post-pandemic era driven by its innovative product portfolio, new and disruptive product launches, new category extensions, strengthened supply chain capabilities and expansion of omni-channels (including national distribution platforms and own digital platforms) in new geographic territories. That said, uncertainties from geopolitical conflict in Europe resulting in consumer insecurities remain a concern.

**gb** brand will continue to right-size and modernize its online/offline omni-channel structure, and will continue its brand upgrade, expansion of digital and social media-based channels, the reformation of its wholesale distribution channel and its focus on product innovation, technologies and new product launches. We will continue to precisely invest in and execute our digital transformation to strengthen customer engagement in all owned-channels, upgrade our retail store concepts working in concert with our cloud retail system to provide deeper engagement and immersive experience with consumers.

**Evenflo** will continue to drive revenue and market share growth in both online and offline channels based on strong consumer reception to its innovative product portfolio; it will launch new and 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. However, the risk of high inflation in the United States could hamper consumer confidence.

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

Our global management team has gained tremendous experience and skills in addressing crisis and turning them into opportunities in our execution of measures to mitigate negative impacts from the pandemic in the past three years. While sticking to our fundamental strategic priorities of brand building, the organization has become swifter and more open to adapt to any unexpected situation and always prepared for the new and the future. The Group has never stopped investments in innovation even in the difficult days and constantly created disruptions that have reshaped the industry as it is fully aware of the importance of this underpinning strength. While we will continue to remain vigilant given the risk of high inflations and ongoing regional geopolitical conflicts and uncertainties it may incur, we are confident that our strong global One-Dragon vertically integrated model is the key foundational element to continue to achieve significant accomplishments in all environments.

## FINANCIAL REVIEW

### Revenue

For the Period, the total revenue of the Group decreased by 14.4% to approximately HK\$8,292.2 million from approximately HK\$9,692.1 million for the corresponding period in 2021. During the Period, foreign exchange rate fluctuations impacted the overall revenue growth. On a constant currency basis, our revenue for the Period recorded a 10.9% decrease compared to the corresponding period in 2021.

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

(HK\$ million)	For the year ended 31 December		2021		Change (%)	Change on a constant currency basis (%)
	2022	% of revenue	Revenue	% of revenue		
Group's own brand and retailer private label businesses	<b>7,417.5</b>	<b>89.5</b>	8,156.6	84.2	-9.1%	-4.8%
– APAC	<b>2,066.6</b>	<b>24.9</b>	2,994.6	30.9	-31.0%	-28.2%
– EMEA	<b>2,914.4</b>	<b>35.1</b>	2,979.1	30.8	-2.2%	8.2%
– Americas	<b>2,436.5</b>	<b>29.5</b>	2,182.9	22.5	11.6%	9.4%
Blue Chip business	<b>874.7</b>	<b>10.5</b>	1,535.5	15.8	-43.0%	-43.1%
Total	<b>8,292.2</b>	<b>100.0</b>	9,692.1	100.0	-14.4%	-10.9%

The 9.1% decrease (4.8% decrease on a constant currency basis) of the Group's own brands and retailer private label businesses was attributable to the combination result of growth of our strategic brands CYBEX and Evenflo on a constant currency basis, as well as the revenue decline of brand gb, for more information about performances by brand, please refer to Executive Summary of this Management Discussion and Analysis section.

- In region APAC, we recorded revenue from China market of approximately HK\$1,616.2 million in the Period against approximately HK\$2,515.3 million in the corresponding period in 2021, a decrease of 35.7% (a decrease of 33.7% on a constant currency basis). The decrease in region APAC was mainly attributable to the decrease in revenue from our core strategic brand gb in China. The revenue from APAC markets outside China remained stable on a constant currency basis.
- In region EMEA, we recorded revenue of approximately HK\$2,914.4 million for the Period, a decrease of 2.2% (8.2% increase on a constant currency basis) from approximately HK\$2,979.1 million for the corresponding period in 2021. The growth in region EMEA on a constant currency basis was mainly attributable to the increase in revenue from our core strategic brand CYBEX.

- In region Americas, we recorded revenue of approximately HK\$2,436.5 million in the Period, an increase of 11.6% (9.4% increase on a constant currency basis) from approximately HK\$2,182.9 million for the corresponding period in 2021. The increase was mainly attributable to the increase in revenue from our core strategic brand Evenflo.

During the Period, our Blue Chip business recorded a decrease of 43.0% (43.1% decrease on a constant currency basis) to approximately HK\$874.7 million as compared to approximately HK\$1,535.5 million for the corresponding period in 2021. The revenue decrease was primarily attributable to order slowdowns caused by customer and retailer inventory destocking due to global logistic challenges and weakening consumer demands amidst a volatile macro environment. The Group's relationship with its Blue Chip customers remained stable.

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

Cost of sales decreased by 13.4% to approximately HK\$4,936.3 million for the Period from approximately HK\$5,696.9 million for the corresponding period in 2021. Gross profit for the Group decreased to approximately HK\$3,355.9 million for the Period from approximately HK\$3,995.2 million for the corresponding period in 2021, and the gross profit margin decreased by 0.7 percentage points to 40.5% for the Period from approximately 41.2% for the corresponding period in 2021. Gross profit decline was primarily driven by decrease in revenue, caused by ongoing pandemic related lockdowns in China and significant decrease in Blue Chip revenues in the second half of the year, and absorption of input costs partially offset by price increases, while lack of product availability due to global supply chain disruptions and overall destocking by major US retailers in the last quarter suppressed our own brands' revenue in markets outside China. Gross margin slightly declined due primarily to negative impacts from input cost increases, unfavorable forex movements and unfavorable brand revenue mix, which were partially offset by product price increases.

### **Other Income and Gains**

Other income and gains of the Group increased by approximately HK\$84.6 million to approximately HK\$165.4 million for the Period as compared to approximately HK\$80.8 million for the corresponding period in 2021, which was mainly attributable to the increase in foreign exchange gain, the increase in gain on disposal of fixed assets and the increase in fair value gains on call/put options over non-controlling interests.

### **Selling and Distribution Expenses**

The Group's selling and distribution expenses primarily consist of marketing expenses, personnel costs, rental and commission and warehousing and transportation costs. The selling and distribution expenses decreased by approximately HK\$403.8 million to approximately HK\$2,072.4 million for the Period from approximately HK\$2,476.2 million for the corresponding period in 2021. The decrease was mainly attributable to:

- a) the decrease in rental and commission paid in retail channel to approximately HK\$143.2 million for the Period from approximately HK\$260.1 million for the corresponding period in 2021;

- b) the decrease in marketing expenses to approximately HK\$428.5 million for the Period from approximately HK\$517.9 million for the corresponding period in 2021;
- c) the decrease in personnel costs to approximately HK\$576.6 million for the Period, compared to approximately HK\$635.1 million in the corresponding period in 2021;
- d) the decrease in warehousing and transportation costs to approximately HK\$494.8 million for the Period from approximately HK\$542.3 million for the corresponding period in 2021; and
- e) the decrease in provision for product liabilities costs to approximately HK\$34.3 million for the Period from approximately HK\$66.4 million for the corresponding period in 2021.

### **Administrative Expenses**

The Group's administrative expenses primarily consist of personnel costs, R&D costs, professional service expenses, depreciation and amortization cost and other office expenses. The administrative expenses decreased by approximately HK\$80.9 million to approximately HK\$1,345.6 million for the Period from approximately HK\$1,426.5 million for the corresponding period in 2021. The decrease was mainly due to:

- a) the decrease in personnel costs to approximately HK\$513.4 million for the Period from approximately HK\$574.1 million for the corresponding period in 2021;
- b) the decrease in the R&D costs to approximately HK\$407.0 million for the Period from approximately HK\$418.9 million for the corresponding period in 2021; and
- c) other administrative expenses remaining relatively stable.

### **Other Expenses**

Other expenses of the Group decreased to approximately HK\$2.4 million for the Period from approximately HK\$7.3 million for the corresponding period in 2021. Other expenses of the Group decreased by approximately HK\$4.9 million, which was mainly attributable to the decrease in foreign exchange loss.

### **Operating Profit**

As a result of the foregoing, the Group's operating profit decreased by approximately 39.3%, or HK\$65.2 million, to approximately HK\$100.8 million for the Period from approximately HK\$166.0 million for the corresponding period in 2021.

### **Finance Income**

For the Period, the Group's finance income increased by approximately 22.5%, or HK\$7.9 million, to approximately HK\$43.0 million from approximately HK\$35.1 million for the corresponding period in 2021. The Group's finance income mainly represents interest income from bank deposits.



## **Finance Costs**

For the Period, the Group's finance costs increased by approximately 52.2%, or HK\$47.3 million, to approximately HK\$137.9 million from approximately HK\$90.6 million for the corresponding period in 2021. The increase was mainly attributable to rapid increase of interest rate, especially LIBOR and SOFR.

## **Profit Before Tax**

As a result of the foregoing, the profit before tax of the Group decreased to approximately HK\$1.2 million for the Period from approximately HK\$111.8 million for the corresponding period in 2021.

## **Income Tax**

The Group's income tax was a credit of approximately HK\$38.9 million for the Period, and the income tax was a credit of approximately HK\$15.8 million for the corresponding period in 2021. The increase in the income tax credit was aligned with the decrease of the profit before tax of the Group.

## **Profit for the Year**

Profit of the Group for the Period decreased by 68.6% to approximately HK\$40.1 million from approximately HK\$127.6 million for the corresponding period in 2021.

The non-GAAP profit of the Group decreased by approximately 58.9% to approximately HK\$79.0 million for the Period from approximately HK\$192.4 million for the corresponding period in 2021.

## **Non-GAAP Financial Measures**

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

The following tables set forth the reconciliations of the Company's non-GAAP financial measures for the years ended 31 December 2022 and 2021 to the nearest measures prepared in accordance with IFRS:

	Year Ended 31 December 2022				
	As reported (HK\$ million)	Adjustments			Non-GAAP (HK\$ million)
		Equity-settled share option expenses (HK\$ million)	Net fair value gains on call and put options (a) (HK\$ million)	Amortization of intangible assets (b) (HK\$ million)	
Operating profit	100.8	15.2	-10.0	40.9	146.9
Profit before tax	1.2	15.2	-10.0	40.9	47.3
Profit for the year	40.1	15.2	-6.8	30.5	79.0
Operating margin	1.2%				1.8%
Net margin	0.5%				1.0%

  

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

*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 arising from acquisitions, net of related deferred tax.

## Working Capital and Financial Resources

	<b>As at 31 December 2022 (HK\$ million)</b>	As at 31 December 2021 (HK\$ million)
Trade and notes receivables (including trade receivables due from related parties)	<b>999.8</b>	1,254.2
Trade and notes payables (including trade payables due to related parties)	<b>1,170.4</b>	1,637.2
Inventories	<b>1,902.0</b>	2,402.8
	<b>As at 31 December 2022</b>	<b>As at 31 December 2021</b>
Trade and notes receivables turnover days <sup>(1)</sup>	<b>49</b>	44
Trade and notes payables turnover days <sup>(2)</sup>	<b>102</b>	98
Inventories turnover days <sup>(3)</sup>	<b>157</b>	141

### Notes:

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

The decrease of trade and note receivables was mainly attributable to the decrease of revenue. The increase in trade and notes receivables turnover days was attributable to higher balance at the beginning of the period.

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

The decrease of inventories was mainly attributable to the lower level of inventory in transit and less delayed shipments caused by instability of global logistics at the end of the Period as compared to year end 2021. The increase of inventory turnover days was attributable to higher inventories balance at the beginning of the period.

## **Liquidity and Financial Resources**

As at 31 December 2022, the Group's monetary assets, including cash and cash equivalents, time deposits, pledged deposits and financial assets designated at fair value through profit or loss, were approximately HK\$2,069.7 million (31 December 2021: approximately HK\$2,256.1 million).

As at 31 December 2022, the Group's interest-bearing bank loans and other borrowings were approximately HK\$3,354.8 million (31 December 2021: approximately HK\$3,517.5 million), including short-term bank loans and other borrowings of approximately HK\$1,182.0 million (31 December 2021: approximately HK\$1,223.1 million) and long-term bank loans and other borrowings with repayment terms ranging from two to three years of approximately HK\$2,172.8 million (31 December 2021: approximately HK\$2,294.4 million).

As a result, as at 31 December 2022, the Group's net debt position was approximately HK\$1,285.1 million (31 December 2021: approximately HK\$1,261.4 million).

## **Contingent Liabilities**

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

## **Exchange Rate Fluctuations**

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

## **Pledge of Assets**

As at 31 December 2022, bank deposits of approximately HK\$788.7 million (31 December 2021: HK\$805.6 million) were pledged for certain standby letter of credit from banks and for guarantee. Bank deposits of approximately HK\$9.8 million (31 December 2021: HK\$7.1 million) were pledged for interest reserve. Nil (31 December 2021: HK\$330.3 million) bank deposits were pledged for certain long-term bank loans. Certain machinery amounting to approximately HK\$2.3 million (31 December 2021: HK\$5.8 million) was pledged to secure bank loan granted to the Group.

## Gearing Ratio

As at 31 December 2022, the Group's gearing ratio (calculated by net debt divided by the sum of adjusted capital and net debt; the amount of net debt is calculated by the sum of trade and bills payables, other payables and accruals, payables due to related parties and interest-bearing bank loan and other borrowings (current and non-current) less monetary assets, including cash and cash equivalents, time deposits, pledged deposits and financial assets designated at fair value through profit or loss; the amount of adjusted capital is calculated by equity attributable to owner of the parent minus hedging reserve) was approximately 36.9% (31 December 2021: approximately 38.6%), or 39.0 % after taking into consideration the impact of IFRS 16) (as at 31 December 2021: approximately 40.4%).

## Employees and Remuneration Policy

As at 31 December 2022, the Group had a total of 7,357 full-time employees (31 December 2021: 8,826). For the Period, costs of employees, excluding Directors' emoluments, amounted to a total of approximately HK\$1,762.3 million (year ended 31 December 2021: approximately HK\$1,804.4 million). The Group determined the remuneration packages of all employees with reference to their position, competency, performance, value and market salary trend. The Group provides its employees in the PRC and other countries and regions with welfare schemes as required by applicable local laws and regulations.

On 5 November 2010, the Company adopted a share option scheme ("**2010 Share Option Scheme**") to incentivize or reward eligible participants for their contribution to the Group for the purpose of motivating the eligible participants to optimize their performance efficiency for the benefit of the Group, and attracting and retaining or otherwise maintaining on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group. As the 2010 Share Option Scheme expired on the tenth anniversary of its adoption, and to enable the Company to continue to grant share options to eligible participants as incentives or rewards for their contributions to the success of the Group, the Company terminated the 2010 Share Option Scheme and approved and adopted a new share option scheme (the "**2020 Share Option Scheme**") at its annual general meeting held on 25 May 2020. A summary of the principal terms of the 2020 Share Option Scheme is set out in Appendix III of the Company's circular dated 22 April 2020.

As at 31 December 2022, there were 132,301,300 outstanding share options in total under the 2010 Share Option Scheme and the 2020 Share Option Scheme (31 December 2021: 136,099,167 share options).

## **OTHER INFORMATION**

### **Change of Chief Executive Officer**

Mr. Liu Tongyou succeeded Mr. Martin Pos to act as the chief executive officer of the Company since 21 March 2023. For further details, please refer to the announcement of the Company dated 21 March 2023.

### **Annual General Meeting**

The annual general meeting of the Company (the “**AGM**”) will be held on 22 May 2023 (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.

### **Proposed Adoption of the Second Amended and Restated Memorandum and Articles of Association**

The Board proposes to amend the existing memorandum and articles of association (the “**Memorandum and Articles**”) of the Company by adopting the second amended and restated memorandum and articles of association (the “**Amended and Restated Memorandum and Articles**”), in order to (a) bring the Memorandum and Articles to conform with the core shareholder protection standards set out in Appendix 3 to the Listing Rules; (b) provide flexibility to the Company in relation to the conduct of general meetings by allowing general meetings of the Company to be held as virtual meetings or hybrid meetings where shareholders of the Company (the “**Shareholders**”) may participate by electronic communication facilities in substitution for or in addition to physical attendance at one or more locations; and (c) incorporate certain general updating and housekeeping amendments (the “**Proposed Amendments**”).

The Proposed Amendments and adoption of the Amended and Restated Memorandum and Articles are subject to the approval of the Shareholders by way of passing a special resolution to be proposed at the AGM. A circular of the AGM containing, among other things, details of the Proposed Amendments and adoption of the Amended and Restated Memorandum and Articles, together with a notice of the AGM, will be despatched to the Shareholders in due course.

### **Dividend**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: 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 16 May 2023 (Tuesday)
- Closure of register of members 17 May 2023 (Wednesday) to 22 May 2023 (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 2022, the Company has complied with all the code provisions as set out in Part 2 of Appendix 14 to the Listing Rules.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended 31 December 2022.

## **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 2022.

## **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 2022.

## **Audit Committee**

As at the date of this announcement, the audit committee of the Company (the “**Audit Committee**”) consists of Ms. Chiang Yun, Mr. Shi Xiaoguang and Mr. So Tak Young. The chairlady of the Audit Committee is Ms. Chiang Yun.

The annual results for the year ended 31 December 2022 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 2022 as set out in this annual results 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 the 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 2022 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, 28 March 2023

*As at the date of this announcement, the Board comprises Mr. Song Zhenghuan, Mr. Liu Tongyou, Mr. Martin Pos, Mr. Xia Xinyue and Mr. Michael Nan Qu, being the Executive Directors; Ms. Fu Jingqiu and Mr. Ho Kwok Yin, Eric, being Non-Executive Directors, Ms. Chiang Yun, Mr. Shi Xiaoguang, Mr. Jin Peng and Mr. So Tak Young, being the Independent Non-Executive Directors.*