



# 2021 Interim Report

**Goodbaby International Holdings Limited**  
(Incorporated in the Cayman Islands with limited liability)  
[www.gbinternational.com.hk](http://www.gbinternational.com.hk)  
Stock Code: 1086



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A nighttime aerial view of a city, likely Hong Kong, featuring a prominent skyscraper (the International Finance Centre) on the left. The city is illuminated with lights, and a full moon is visible in the dark sky. The water of the harbor is visible in the middle ground.

# Goodbaby

International

# Corporate Information

# Corporate Information

## Directors

### Executive Directors

Mr. Song Zhenghuan (Chairman)  
Mr. Martin Pos (Chief Executive Officer)  
Mr. Xia Xinyue  
Mr. Liu Tongyou  
Mr. Michael Nan Qu

### Non-Executive Directors

Ms. Fu Jingqiu  
Mr. Ho Kwok Yin, Eric

### Independent Non-Executive Directors

Mr. Iain Ferguson Bruce  
Mr. Shi Xiaoguang  
Ms. Chiang Yun  
Mr. Jin Peng

## Audit Committee

Mr. Iain Ferguson Bruce (Chairman)  
Mr. Shi Xiaoguang  
Ms. Chiang Yun

## Nomination Committee

Mr. Iain Ferguson Bruce (Chairman)  
Mr. Shi Xiaoguang  
Ms. Chiang Yun

## Remuneration Committee

Mr. Iain Ferguson Bruce (Chairman)  
Mr. Shi Xiaoguang  
Ms. Chiang Yun

## Auditors

Ernst & Young  
Certified Public Accountants  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay  
Hong Kong

## Legal Advisor

As to Hong Kong law  
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**Company Secretary**

Ms. Ho Siu Pik

**Authorized representatives**

Mr. Song Zhenghuan  
Ms. Ho Siu Pik

**Website**

[www.gbinternational.com.hk](http://www.gbinternational.com.hk)

**Stock Code**

1086

THE CYBEX  
PLATINUM CAR SEATS

PERFECT  
FAMILY

 cybex



# **Management Discussion and Analysis**

# Management Discussion and Analysis

## Overview

During the earlier months of the period (the six months ended 30 June 2021, hereinafter as the “**Period**”), many countries in our key markets continued to experience lingering impacts from the coronavirus disease 2019 (“**COVID-19**”) and its related variants, requiring intermittent lockdowns to curb the further spread of the virus. In certain key EMEA, North American and North Asian markets, the duration of these lockdowns was longer than the corresponding period in 2020, which tempered our overall revenue recovery in the Period. As global vaccination initiatives moved forward, regional economies of our key markets started to gradually reopen in the second quarter of 2021. Furthermore, intensifying headwinds in foreign exchange fluctuations, global supply chains (mainly freight and raw material price hikes) and a significant limitation of logistics capacities drove lower product availability and higher costs during the Period. Despite these ongoing developments, our Group (Goodbaby International Holdings Limited together with its subsidiaries, hereinafter as the “**Group**”) carried forward its long-term strategy through continuing its mindful and deliberate operating expense investments in the Group’s key strategic brands, primarily to facilitate further revenue growth at CYBEX and to continue gb’s ongoing transformation in its key China market. Our positive commercial and financial performance during the Period is the result of proactive execution of our clear, long-term sustainable strategy of being the leader of a global parenting ecosystem.

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

1. Our balanced global footprint minimized risk in any one territory and was a catalyst for a strong competitive advantage resulting in increased market share;
2. Our owned China and US based production and regional supply chain/operations teams functioned as the backbone of our operations with no facility shutdowns during the Period;
3. Aggressive cash flow management during turbulent market conditions achieved an overall stable cash position while pursuing opportunistic investments in inventory to capture increased market share and strategic investments in mid/long term growth initiatives primarily focused on CYBEX expansion of distribution and operational infrastructure and gb’s continued transformation in the China market;
4. Despite COVID-19 related challenges, our key strategic brands continued to introduce innovative designs and products with strong consumer reception, further strengthening our global leadership position in the global parenting ecosystem.

Our revenue for the Period increased by 24.5% to approximately HK\$4,627.3 million from approximately HK\$3,718.1 million for the corresponding period in 2020. During the Period, foreign exchange rate fluctuations impacted the overall revenue growth. On a constant currency basis, our revenue for the Period recorded a 16.9% increase as compared to the corresponding period in 2020. Reported gross profit increased by 27.0% to approximately HK\$1,962.7 million for the Period from approximately HK\$1,545.8 million for the corresponding period in 2020. Reported operating profit increased by 20.8% to approximately HK\$151.5 million from approximately HK\$125.4 million for the corresponding period in 2020 and on a non-GAAP basis, our operating profit increased by 14.4% to approximately HK\$192.4 million for the Period from approximately HK\$168.2 million for the corresponding period in 2020.

During the Period, the Group’s core Strategic brands recorded an increase of 23.7% in revenue (15.9% increase on a constant currency basis) from the revenue of the corresponding period in 2020.

Summary of the Group's core Strategic brands revenue:

(HK\$ million)	For the six months ended 30 June				Change (%)	Change on a constant currency basis (%)
	2021		2020			
<b>Group Total Revenue</b>	\$4,627.3		\$3,718.1		24.5%	16.9%
	Amount	% of Revenue	Amount	% of Revenue	Change (%)	Change on a constant currency basis (%)
<b>Core Strategic Brands Revenue</b>	\$3,766.3	81.5%	\$3,044.2	81.9%	23.7%	15.9%
CYBEX	1,617.9	35.0%	1,075.6	28.9%	50.4%	39.6%
gb	1,211.2	26.2%	1,132.3	30.5%	7.0%	-2.4%
Evenflo	937.2	20.3%	836.3	22.5%	12.1%	10.4%

## Executive Summary

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

- CYBEX** brand recorded significant growth in revenue of 50.4% (39.6% increase on a constant currency basis) in the Period to a new all-time record high of approximately HK\$1,617.9 million from approximately HK\$1,075.6 million for the corresponding period in 2020, despite intermittent lockdowns in EMEA, North America and North Asia caused by lingering COVID-19 impacts early in the Period and shortages in product availability caused by global logistics capacity limitations. This strong growth momentum across all key global markets primarily driven by further gaining market shares, continuous expansion of national distribution in existing and new markets, accelerated introduction of new products in car seats and wheeled goods and improved global operational/supply chain management. The launch of new product categories, continued expansion of distribution in new markets, as well as the introduction of our own e-commerce platform in Europe will fortify the overall business platform to facilitate further market share gains globally and reinforce its leading position. During the Period, CYBEX continued to receive multiple awards from independent European consumer testing organizations (e.g. ADAC, Red Dot Design Award), which proves the brand's steadfast commitment to technologies and design.

# Management Discussion and Analysis

- gb** brand recorded an increase in revenue of 7.0% (2.4% decrease on a constant currency basis) in the Period to approximately HK\$1,211.2 million from approximately HK\$1,132.3 million for the corresponding period in 2020. In the key China market, gb brand recorded revenue growth of 10.1% (0.3% increase on a constant currency basis) highlighted by strong growth in the first quarter of 2021 driven by the recovery of offline retail traffic and sales as compared with the corresponding period of 2020. During the second quarter of 2021, gb brand realigned all key distribution channels to improve the overall consumer experience and service. Reformation of the wholesale distribution channel and selected store closures and opening are highlights of these aforementioned initiatives. These initiatives have further strengthened the brand transformation in China as focus shifts towards consumer-centric engagement to make transactions more convenient, targeted and frequent via more focused consumer interactions through our self-owned channels. During the Period, our self-owned retail channels, both online and offline, recorded double digit revenue growth. gb continued to dedicate resources to product development and innovation in the Period in both durable and non-durable products, and such efforts have been rewarded by receiving prominent awards, including two Red Dot Design Awards and one iF Design Award.
- Evenflo** brand recorded an increase in revenue of 12.1% (10.4% increase on a constant currency basis) in the Period to approximately HK\$937.2 million from approximately HK\$836.3 million for the corresponding period in 2020. Strong consumer acceptance of new products designed and introduced to enhance the overall brand image is the primary driver of the strong revenue performance. Overall revenue momentum was tempered during the Period by product availability challenges resulting from global supply chain logistics and cost factors. While the overall North America macro environment continues to stabilize due to increased vaccination levels and stimulus relief initiatives, volatility remains due to lingering impacts from COVID-19 variants and continuing global supply headwinds.

During the Period, our Blue Chip business recorded very strong revenue growth of 38.5% (31.8% increase on a constant currency basis) to approximately HK\$642.3 million in the Period as compared to approximately HK\$463.9 million for the corresponding period in 2020. The positive revenue growth was driven by increasing orders from our customers as their respective markets continue to recover from COVID-19 impacts. We continue to provide robust, value-oriented solutions for our key customers and accordingly, our Blue Chip business remains stable and sound.

During the Period, the Group's revenue from our tactical brands approximated HK\$218.7 million as compared to approximately HK\$210.0 million in the corresponding period of 2020. This approximate 4.1% increase (1.6% decrease on a constant currency basis) was primarily driven by overall business climate recovering from COVID-19 restrictions from the prior period offset by the continued planned rationalization of the respective product portfolios.

## Outlook

Notwithstanding the lingering impacts from COVID-19 and ongoing global supply chain capacity limitations, we are very encouraged by our business development and the proven strength of our business platform. We remain very confident in our overall strategy and will continue to execute our focused strategy in our core Strategic brands of CYBEX, gb and Evenflo and support the ongoing development of our Blue Chip business.

Our core Strategic brands are very well accepted by consumers across the globe.

CYBEX will continue its strong global growth strategy across all key geographic regions and gain market share driven by its current product portfolio, new product launches, new category extensions, strengthened supply chain capabilities, new e-commerce platforms and expansion of national distribution platforms in new geographic territories.

gb brand will continue its brand upgrade, further development of digital cloud retail system and social media based owned channels, reformation of its wholesale distribution channel, and its focus on product innovation, technologies and new product launches, which will establish the foundation for growth in revenue and profitability. We will continue to invest in and execute our digital transformation to strengthen consumer engagement in all owned channels and upgrade our retail store concepts working in concert with our cloud retail system to provide a deeper engagement via an immersive experience with our consumers.

Evenflo will continue to drive sustainable revenue and market share growth based on strong consumer reception to recent product launches; it will continue to launch new and more profitable products and fulfill new awards of business from major retailers as the brand is being recognized for its commitment to overall brand enhancement and product innovation.

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.

Notwithstanding the very positive revenue and profit achievement during the Period, the potential for even further incremental positive revenue and profitability have been inevitably negatively impacted by continued impacts from COVID-19 and global supply and logistics disruptions. We have already implemented measures to mitigate such longer term impacts. We will monitor these dynamics very closely and execute any additional actions as required.

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

# Management Discussion and Analysis

## Financial Review

### Revenue

For the Period, the total revenue of the Group increased by 24.5% to approximately HK\$4,627.3 million from approximately HK\$3,718.1 million for the corresponding period in 2020. During the Period, foreign exchange rate fluctuations impacted the overall revenue growth. On a constant currency basis, our revenue for the Period recorded a 16.9% increase as compared to the corresponding period in 2020.

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

(HK\$ million)	For the six months ended 30 June				Change (%)	Change on a constant currency basis (%)
	2021		2020			
	Revenue	% of revenue	Revenue	% of revenue		
Group's own brands and retailer private label businesses	3,985.0	86.1	3,254.2	87.5	22.5	14.8
– APAC	1,534.7	33.1	1,353.3	36.4	13.4	3.9
– EMEA	1,433.7	31.0	1,024.3	27.5	40.0	30.3
– Americas	1,016.6	22.0	876.6	23.6	16.0	13.6
Blue Chip business	642.3	13.9	463.9	12.5	38.5	31.8
<b>Total</b>	<b>4,627.3</b>	<b>100.0</b>	<b>3,718.1</b>	<b>100.0</b>	<b>24.5</b>	<b>16.9</b>

The 22.5% increase (14.8% increase on a constant currency basis) of the Group's own brands and retailer private label businesses is the result of proactive execution of our clear, long-term sustainable strategy of being the leader of a global parenting ecosystem (for more information about performances by brand, please refer to Executive Summary of this Management Discussion and Analysis section).

- In region APAC, we recorded revenue from China market of approximately HK\$1,337.6 million in the Period against HK\$1,230.3 million in the corresponding period in 2020, an increase of 8.7% (a decrease of 1.0% on a constant currency basis). In the key China market, gb brand recorded a strong growth in the first quarter of 2021 driven by the recovery of offline retail traffic and sales as compared with the corresponding period of 2020. During the second quarter of 2021, gb brand realigned all key distribution channels to improve the overall consumer experience and service. Reformation of the wholesale distribution channel and selected store closures and opening are highlights of these aforementioned initiatives. The revenue from markets outside China increased to HK\$197.1 million in the Period from approximately HK\$123.0 million in the corresponding period of 2020, which was primarily driven by overall business climate recovering from COVID-19 restrictions from the prior period.
- In region EMEA, we recorded revenue of approximately HK\$1,433.7 million in the Period, an increase of 40.0% (30.3% increase on a constant currency basis) from approximately HK\$1,024.3 million in the corresponding period in 2020. The increase in region EMEA was mainly attributable to the increase in revenue from our strategic brand CYBEX.
- In region Americas, we recorded revenue of approximately HK\$1,016.6 million in the Period, an increase of 16.0% (13.6% increase on a constant currency basis) from approximately HK\$876.6 million for the corresponding period in 2020. The increase was mainly attributable to the increase in revenue from our strategic brand Evenflo and the active growth of revenue from brand CYBEX.

During the Period, our Blue Chip business recorded an increase of 38.5% (31.8% increase on a constant currency basis) to approximately HK\$642.3 million in the Period as compared to approximately HK\$463.9 million for the corresponding period in 2020. The positive revenue growth was driven by increasing orders from our customers as their respective markets continue to recover from COVID-19 impacts. We will continue to provide robust, value-oriented solutions for our key customers and accordingly, our Blue Chip business remains stable and sound.

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

Cost of sales increased by 22.7% to approximately HK\$2,664.6 million for the Period from approximately HK\$2,172.3 million for the corresponding period in 2020. Gross profit for the Group increased to approximately HK\$1,962.7 million for the Period from approximately HK\$1,545.8 million for the corresponding period in 2020, and gross profit margin increased to approximately 42.4% for the Period from approximately 41.6% for the corresponding period in 2020, mainly attributed to the increase in revenue contribution from our core strategic brands with higher gross margin and cost improvement due to management efforts, which was offset by the increase in cost due to higher sea freight rates and raw material price, as well as losses from US dollar depreciates against Renminbi (“RMB”).

### Other Income and Gains

Other income and gains of the Group decreased by approximately HK\$44.7 million to approximately HK\$34.0 million for the Period from approximately HK\$78.7 million for the corresponding period in 2020. The decrease was mainly attributable to the decrease in government grants.

# Management Discussion and Analysis

## Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consist of marketing expenses, personnel costs and transportation costs. The selling and distribution costs amounted to approximately HK\$1,190.6 million for the Period, increasing from approximately HK\$945.8 million for the corresponding period in 2020. The increase was mainly attributable to:

- (a) the increase in marketing expenses to approximately HK\$204.5 million for the Period from approximately HK\$180.1 million for the corresponding period in 2020 that generated the revenue growth;
- (b) the increase in warehousing and transportation costs to approximately HK\$263.4 million for the Period from approximately HK\$191.3 million for the corresponding period in 2020, with the combined effect of cost occurred for more products sold and higher logistic fee rate;
- (c) the increase in personnel costs to approximately HK\$356.8 million for the Period from approximately HK\$278.8 million for the corresponding period in 2020 is mainly attributable to organization expansion to facilitate continued rapid growth of CYBEX globally and higher personnel cost in retail channel in China market; and
- (d) the increase in rental and commission paid in retail channel to approximately HK\$135.0 million for the Period from approximately HK\$96.3 million for the corresponding period in 2020 which is in line with revenue increase in own retail channel and increased numbers of offline stores.

## Administrative Expenses

The Group's administrative expenses primarily consist of personnel costs, R&D costs, professional service expenses, provision for the impairment of receivables and other office expenses. The administrative expenses increased to approximately HK\$647.0 million for the Period from approximately HK\$539.1 million for the corresponding period in 2020. The increase was mainly due to:

- (a) the increase in the R&D costs to approximately HK\$198.0 million for the Period from approximately HK\$146.8 million for the corresponding period in 2020, due to delays impacted by COVID-19 in the corresponding period of last year;
- (b) the increase in personnel costs to approximately HK\$248.0 million for the Period from approximately HK\$202.4 million for the corresponding period in 2020 is mainly attributable to organization expansion to facilitate continued rapid growth of CYBEX globally; and
- (c) stable in other administrative expenses.

## Other Expenses

Other expenses of the Group decreased to approximately HK\$7.6 million for the Period from approximately HK\$14.2 million for the corresponding period in 2020. Other expenses mainly consist of loss on disposal of property, plant and equipment, foreign exchange losses and other losses.

## Operating Profit

As a result of the foregoing, the Group's operating profit increased by approximately 20.8%, or HK\$26.1 million, to approximately HK\$151.5 million for the Period from approximately HK\$125.4 million for the corresponding period in 2020.

## Finance Income

For the Period, the Group's finance income increased by approximately HK\$3.9 million to approximately HK\$16.0 million for the Period from approximately HK\$12.1 million for the corresponding period of 2020. The Group's finance income mainly comprises interest income from bank deposits.

## Finance Costs

For the Period, the Group's finance costs decreased by approximately HK\$23.4 million, or 33.9%, to approximately HK\$45.6 million for the Period from approximately HK\$69.0 million for the corresponding period in 2020. The decrease was mainly attributable to a combined effect of a lower interest rate and optimization of loan structure.

## Profit Before Tax

As a result of the foregoing, the profit before tax of the Group increased by 77.1% to approximately HK\$120.8 million for the Period from approximately HK\$68.2 million for the corresponding period in 2020.

## Income Tax

The Group's income tax expense was approximately HK\$19.6 million for the Period, increased by approximately HK\$5.7 million from approximately HK\$13.9 million for the corresponding period in 2020. The increase in the amount of income tax expense was aligned with the increase of the profit before tax of the Group.

## Profit for the Period

Net profit of the Group increased by 86.4% to approximately HK\$101.2 million for the Period from approximately HK\$54.3 million for the corresponding period in 2020.

## Non-GAAP Financial Measures

To supplement the consolidated results of the Group prepared in accordance with International Financial Reporting Standard ("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 period and non - GAAP net margin, are presented. The management believes that the non-GAAP financial measures provide investors with a more meaningful 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 non-cash items, certain impact of merger and acquisition transactions and certain one-off bad debt provision and operating loss. 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.

# Management Discussion and Analysis

The following tables set forth the reconciliations of the Company's non-GAAP financial measures for the six months ended 30 June 2021 and 2020 to the nearest measures prepared in accordance with IFRS:

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

	For the six months ended 30 June 2020			
	As reported	Adjustments		Non-GAAP
		Equity-settled share option arrangements	Amortisation of intangible assets and inventory appreciation (a)	
	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)
Operating profit	125.4	22.5	20.3	168.2
Profit before tax	68.2	22.5	20.3	111.0
Profit for the period	54.3	22.5	15.2	92.0
Operating margin	3.4%			4.5%
Net margin	1.5%			2.5%

(a) Amortisation of intangible assets and inventory appreciation arising from acquisitions, net of related deferred tax.

## Working Capital and Financial Resources

	As at 30 June 2021	As at 31 December 2020
(HK\$ million)		
Trade and notes receivables (including trade receivables due from related parties)	1,286.0	1,141.2
Trade and notes payables (including trade payables due to a related party)	1,429.1	1,458.7
Inventories	2,087.9	2,061.4
	For the six months ended 30 June 2021	For the year ended 31 December 2020
Trade and notes receivables turnover days <sup>(1)</sup>	47	48
Trade and notes payables turnover days <sup>(2)</sup>	98	108
Inventories turnover days <sup>(3)</sup>	140	156

- (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 bills payables at the beginning and at the end of the period)/cost of sales in the reporting period.
- (3) Inventories turnover days = Number of days in the reporting period x (Average balance of inventories at the beginning and at the end of the period)/cost of sales in the reporting period.

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

The overall trade and note payables remained stable. The decrease of trade and note payables turnover days was a result of the increase of cost of sales during the Period.

The overall inventories remained stable. The decrease of inventory turnover days was a result of the increase of cost of sales during the Period.

## Liquidity and Financial Resources

As at 30 June 2021, the Group's monetary assets, including cash and cash equivalents, pledged bank deposits and financial assets at fair value through profit or loss were approximately HK\$1,656.6 million (31 December 2020: approximately HK\$1,725.9 million).

As at 30 June 2021, the Group's interest-bearing bank loans and other borrowings were approximately HK\$2,913.1 million (31 December 2020: approximately HK\$2,772.6 million), including short-term bank loans and other borrowings of approximately HK\$1,936.2 million (31 December 2020: approximately HK\$1,986.9 million) and long-term bank loans and other borrowings with repayment terms ranging from two to three years of approximately HK\$976.9 million (31 December 2020: approximately HK\$785.7 million).

As a result, as at 30 June 2021, the Group's net debt position was approximately HK\$1,256.5 million (31 December 2020: approximately HK\$1,046.7 million).

# Management Discussion and Analysis

## Contingent Liabilities

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

As at 30 June 2021, the Group had no material contingent liabilities (as at 31 December 2020: nil).

## Exchange Rate Fluctuations

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

## Pledge of Assets

As at 30 June 2021, bank deposits of approximately HK\$20.5 million (31 December 2020: HK\$25.7 million) were pledged for business operation and approximately HK\$240.2 million (31 December 2020: nil) were pledged for a standby letter of credit from a bank. Certain machinery amounting to approximately HK\$8.2 million (31 December 2020: HK\$10.8 million) was pledged to secure bank loan granted to the Group.

## Gearing Ratio

As at 30 June 2021, the Group's gearing ratio (calculated by net debt divided by the sum of adjusted capital and net debt; the amount of net debt is calculated by the sum of trade and notes payables, other payables, advances from customers and accruals, lease liabilities and interest-bearing bank loans and other borrowings (current and non-current) less monetary assets; the amount of the adjusted capital is calculated by equity attributable to owners of the parent less hedging reserve) was approximately 37.6% (as at 31 December 2020: approximately 37.4%), or 39.1% after taking into consideration the impact of IFRS 16 (as at 31 December 2020: approximately 38.9%).

## Employees and Remuneration Policy

As at 30 June 2021, the Group had a total of 8,909 full-time employees (31 December 2020: 9,375). For the Period, costs of employees, excluding directors' emoluments, amounted to a total of approximately HK\$926.0 million (for the corresponding period of 2020: approximately HK\$761.4 million). The Group determined the remuneration packages of all employees with reference to individual performance and current market salary scale. The Group provides its employees in the People's Republic of China ("PRC") and other countries and regions with welfare schemes as required by applicable local laws and regulations.

On 5 November 2010, the Company adopted a share option scheme (the "**2010 Share Option Scheme**") to incentivize or reward eligible participants for their contribution to the Group for the purpose of motivating the eligible participants to optimize their performance efficiency for the benefit of the Group, and attracting and retaining or otherwise maintaining on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.

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

During the Period, none of the share options had lapsed, been cancelled and been exercised under the 2010 Share Options Scheme, and 1,272,000 share options had lapsed, none of share options had been cancelled and 8,000 share options had been exercised under the 2020 Share Options Scheme.

As at 31 December 2020, there were 140,706,500 outstanding share options in total under the 2010 Share Option Scheme and the 2020 Share Option Scheme. As at 30 June 2021, there were 139,426,500 outstanding share options in total under the 2010 Share Option Scheme and the 2020 Share Option Scheme.

# Management Discussion and Analysis

Details of the share options granted under the 2010 and 2020 Share Option Schemes during the Period were as follows:

Name of Director/Associate	Date of grant	Exercise Price (HK\$)	Number of share options						Closing price of securities at the date of grant (HK\$)	
			Outstanding as at 1 January 2021	Granted during this Period	Exercised during this Period	Cancelled/Lapsed during this Period	Outstanding as at 30 June 2021	Percentage of total issued share capital <sup>(1)</sup>		Exercise period
Mr. Song Zhenghuan	29 September 2014	3.58	1,390,000	–	–	–	1,390,000	0.083%	29 September 2014 to 28 September 2024 <sup>(2)</sup>	3.49
Mr. Martin Pos	29 September 2014	3.58	2,400,000	–	–	–	2,400,000	0.144%	29 September 2014 to 28 September 2024 <sup>(2)</sup>	3.49
	27 March 2018	4.54	17,500,000	–	–	–	17,500,000	1.049%	27 March 2018 to 27 March 2028 <sup>(3)</sup>	4.12
	19 June 2020	0.96	840,000	–	–	–	840,000	0.050%	27 September 2020 to 27 March 2028	0.92
			2,100,000	–	–	–	2,100,000	0.126%	27 September 2022 to 27 March 2028	
Mr. Xia Xinyue	27 March 2018	4.54	10,000,000	–	–	–	10,000,000	0.600%	27 March 2018 to 27 March 2028 <sup>(3)</sup>	4.12
	19 June 2020	0.96	480,000	–	–	–	480,000	0.029%	27 September 2020 to 27 March 2028	0.92
			720,000	–	–	–	720,000	0.043%	27 September 2021 to 27 March 2028	
			1,200,000	–	–	–	1,200,000	0.072%	27 September 2022 to 27 March 2028	
Mr. Liu Tongyou	29 September 2014	3.58	2,400,000	–	–	–	2,400,000	0.144%	29 September 2014 to 28 September 2024 <sup>(2)</sup>	3.49
	23 May 2019	3.75	6,300,000	–	–	–	6,300,000	0.378%	23 May 2019 to 22 May 2029 <sup>(4)</sup>	1.94
	19 June 2020	0.96	390,600	–	–	–	390,600	0.023%	23 May 2022 to 22 May 2029	0.92
			976,500	–	–	–	976,500	0.059%	23 May 2024 to 22 May 2029	
Mr. Michael Nan Qu	29 September 2014	3.58	1,600,000	–	–	–	1,600,000	0.096%	29 September 2014 to 28 September 2024 <sup>(2)</sup>	3.49
	19 June 2020	0.96	620,000	–	–	–	620,000	0.037%	23 May 2022 to 22 May 2029	0.92
			930,000	–	–	–	930,000	0.056%	23 May 2023 to 22 May 2029	
			1,550,000	–	–	–	1,550,000	0.093%	23 May 2024 to 22 May 2029	

Name of Director/Associate	Date of grant	Exercise Price (HK\$)	Number of share options						Closing price of securities at the date of grant (HK\$)	
			Outstanding as at 1 January 2021	Granted during this Period	Exercised during this Period	Cancelled/ Lapsed during this Period	Outstanding as at 30 June 2021	Percentage of total issued share capital <sup>(1)</sup>		Exercise period
Ms. Fu Jingqiu	29 September 2014	3.58	1,390,000	-	-	-	1,390,000	0.083%	29 September 2014 to 28 September 2024 <sup>(2)</sup>	3.49
	23 May 2019	3.75	600,000	-	-	-	600,000	0.036%	23 May 2019 to 22 May 2029 <sup>(3)</sup>	1.94
	19 June 2020	0.96	43,400	-	-	-	43,400	0.0026%	23 May 2022 to 22 May 2029	0.92
			65,100	-	-	-	65,100	0.0039%	23 May 2023 to 22 May 2029	
			108,500	-	-	-	108,500	0.0065%	23 May 2024 to 22 May 2029	
Mr. Ho Kwok Yin, Eric	29 September 2014	3.58	1,000,000	-	-	-	1,000,000	0.060%	29 September 2014 to 28 September 2024 <sup>(2)</sup>	3.49
	19 June 2020	0.96	19,200	-	-	-	19,200	0.001%	27 September 2020 to 27 March 2028	0.92
			28,800	-	-	-	28,800	0.002%	27 September 2021 to 27 March 2028	
			48,000	-	-	-	48,000	0.003%	27 September 2022 to 27 March 2028	
Mr. Iain Ferguson Bruce	29 September 2014	3.58	800,000	-	-	-	800,000	0.048%	29 September 2014 to 28 September 2024 <sup>(2)</sup>	3.49
	19 June 2020	0.96	19,200	-	-	-	19,200	0.001%	27 September 2020 to 27 March 2028	0.92
			28,800	-	-	-	28,800	0.002%	27 September 2021 to 27 March 2028	
			48,000	-	-	-	48,000	0.003%	27 September 2022 to 27 March 2028	
Mr. Shi Xiaoguang	29 September 2014	3.58	800,000	-	-	-	800,000	0.048%	29 September 2014 to 28 September 2024 <sup>(2)</sup>	3.49
	19 June 2020	0.96	19,200	-	-	-	19,200	0.001%	27 September 2020 to 27 March 2028	0.92
			28,800	-	-	-	28,800	0.002%	27 September 2021 to 27 March 2028	
			48,000	-	-	-	48,000	0.003%	27 September 2022 to 27 March 2028	
Ms. Chiang Yun	29 September 2014	3.58	800,000	-	-	-	800,000	0.048%	29 September 2014 to 28 September 2024 <sup>(2)</sup>	3.49
	19 June 2020	0.96	19,200	-	-	-	19,200	0.001%	27 September 2020 to 27 March 2028	0.92
			28,800	-	-	-	28,800	0.002%	27 September 2021 to 27 March 2028	
			48,000	-	-	-	48,000	0.003%	27 September 2022 to 27 March 2028	

# Management Discussion and Analysis

Name of Director/Associate	Date of grant	Exercise Price (HK\$)	Number of share options							Closing price of securities at the date of grant (HK\$)
			Outstanding as at 1 January 2021	Granted during this Period	Exercised during this Period	Cancelled/ Lapsed during this Period	Outstanding as at 30 June 2021	Percentage of total issued share capital <sup>(1)</sup>	Exercise period	
Mr. Jin Peng	19 June 2020	0.96	19,200	-	-	-	19,200	0.001%	27 September 2020 to 27 March 2028	0.92
			28,800	-	-	-	28,800	0.002%	27 September 2021 to 27 March 2028	
			48,000	-	-	-	48,000	0.003%	27 September 2022 to 27 March 2028	
Ms. Sharon Nan Kobler (associate of Mr. Song Zhenghuan and Ms. Fu Jingqiu)	19 June 2020	0.96	124,000	-	-	-	124,000	0.007%	23 May 2022 to 22 May 2029	0.92
			186,000	-	-	-	186,000	0.011%	23 May 2023 to 22 May 2029	
			310,000	-	-	-	310,000	0.019%	23 May 2024 to 22 May 2029	
Mr. Martin Patrick Pos (associate of Mr. Martin Pos)	11 December 2020	1.01	310,000	-	-	-	310,000	0.019%	Refer to note <sup>(1)(3)</sup>	1.00
Total number held by Directors	29 September 2014	3.58	12,580,000	-	-	-	12,580,000	0.754%	29 September 2014 to 28 September 2024 <sup>(2)</sup>	3.49
	27 March 2018	4.54	27,500,000	-	-	-	27,500,000	1.649%	27 March 2018 to 27 March 2028 <sup>(2)</sup>	4.12
	23 May 2019	3.75	6,900,000	-	-	-	6,900,000	0.414%	23 May 2019 to 22 May 2029 <sup>(2)</sup>	1.94
	19 June 2020	0.96	12,350,000	-	-	-	12,350,000	0.740%	Refer to note <sup>(2)</sup>	0.92
Total number held by Associates	19 June 2020	0.96	620,000	-	-	-	620,000	0.037%	Refer to note <sup>(2)</sup>	0.92
	11 December 2020	1.01	310,000	-	-	-	310,000	0.019%	Refer to note <sup>(1)(3)</sup>	1.00
Total number held by other participants	29 September 2014	3.58	12,500,000	-	-	-	12,500,000	0.749%	29 September 2014 to 28 September 2024 <sup>(2)</sup>	3.49
	7 October 2015	3.75	10,200,000	-	-	-	10,200,000	0.611%	7 October 2015 to 6 October 2025 <sup>(2)</sup>	3.66
	27 March 2018	4.54	4,000,000	-	-	-	4,000,000	0.240%	27 March 2018 to 27 March 2028 <sup>(2)</sup>	4.12
	28 May 2018	5.122	3,600,000	-	-	-	3,600,000	0.216%	28 May 2018 to 27 May 2028 <sup>(2)</sup>	4.92
	23 May 2019	3.75	31,800,000	-	-	-	31,800,000	1.906%	23 May 2019 to 22 May 2029 <sup>(2)</sup>	1.94
	19 June 2020	0.96	13,114,500	-	(8,000)	(342,000)	12,764,500	0.765%	Refer to note <sup>(2)</sup>	0.92
	11 December 2020	1.01	5,232,000	-	-	(930,000)	4,302,000	0.258%	Refer to note <sup>(1)(3)</sup>	1.00

Notes:

- (1) The percentage is calculated based on the total number of 1,668,031,166 shares in issue as at 30 June 2021.
- (2) The share options are exercisable within a period of 10 years from 29 September 2014 and subject to the following vesting schedule and performance review:
  - (i) one third of the share options vested on 29 September 2017;
  - (ii) one third of the share options vested on 29 September 2018; and
  - (iii) the remaining one third of the share options vested on 29 September 2019.

- (3) The share options are exercisable within a period of 10 years from 29 September 2014 and subject to the following vesting schedule and performance review:
  - (i) for some grantees, the share options shall be vested on 29 September 2018; and
  - (ii) for the remaining grantees, one third of the share options vested on 29 September 2017, one third of the share options vested on 29 September 2018 and the remaining one third of the share options vested on 29 September 2019.
- (4) The share options are exercisable within a period of 10 years from 7 October 2015 and subject to the following vesting schedule and performance review:
  - (i) one third of the share options vested on 7 October 2018;
  - (ii) one third of the share options vested on 7 October 2019; and
  - (iii) the remaining one third of the share options vested on 7 October 2020.
- (5) The share options are exercisable within a period of 10 years from 28 August 2017 and subject to the following vesting schedule and performance review:
  - (i) one third of the share options vested on 28 August 2020;
  - (ii) one third of the share options vested on 28 August 2021; and
  - (iii) the remaining one third of the share options vested on 28 August 2022.
- (6) The share options are exercisable within a period of 10 years from 27 March 2018 and subject to the following vesting schedule and performance review:
  - (i) 20% of the share options vested on 27 September 2020;
  - (ii) another 30% of the share options vested on 27 September 2021; and
  - (iii) the remaining share options vested on 27 September 2022.
- (7) The share options are exercisable within a period of 10 years from 28 May 2018 and subject to the following vesting schedule and performance review:
  - (i) 20% of the share options vested on 28 May 2021;
  - (ii) another 30% of the share options vested on 28 May 2022; and
  - (iii) the remaining share options vested on 28 May 2023.
- (8) The share options are exercisable within a period of 10 years from 23 May 2019 and subject to the following vesting schedule and performance review:
  - (i) 20% of the share options vested on 23 May 2022;
  - (ii) another 30% of the share options vested on 23 May 2023; and
  - (iii) the remaining share options vested on 23 May 2024.

# Management Discussion and Analysis

- (9) Among the 26,084,500 share options, the vesting schedule and exercise period are as follows:
- (i) 280,000 share options will be vested on 28 August 2020 and exercisable until 27 August 2027;
  - (ii) 280,000 share options will be vested on 28 August 2021 and exercisable until 27 August 2027;
  - (iii) 280,000 share options will be vested on 28 August 2022 and exercisable until 27 August 2027;
  - (iv) 2,174,000 share options will be vested on 27 September 2020 and exercisable until 27 March 2028;
  - (v) 3,261,600 share options will be vested on 27 September 2021 and exercisable until 27 March 2028;
  - (vi) 5,436,000 share options will be vested on 27 September 2022 and exercisable until 27 March 2028;
  - (vii) 224,000 share options will be vested on 28 May 2021 and exercisable until 27 May 2028;
  - (viii) 336,000 share options will be vested on 28 May 2022 and exercisable until 27 May 2028;
  - (ix) 560,000 share options will be vested on 28 May 2023 and exercisable until 27 May 2028;
  - (x) 2,650,500 share options will be vested on 23 May 2022 and exercisable until 22 May 2029;
  - (xi) 3,975,750 share options will be vested on 23 May 2023 and exercisable until 22 May 2029; and
  - (xii) 6,626,250 share options will be vested on 23 May 2024 and exercisable until 22 May 2029.
- (10) The share options are exercisable within a period of 10 years from 11 December 2020 and subject to the following vesting schedule and performance review:
- (i) 20% of the share options vested on 11 December 2023;
  - (ii) another 30% of the share options vested on 11 December 2024; and
  - (iii) the remaining share options vested on 11 December 2025.

## Significant Acquisition, Disposal or Investment

During the Period, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures, or investment.

## Future Plans for Material Investments or Capital Assets

The Group did not have plans for material investments or capital assets as at 30 June 2021.



# Other Information

## Purchase, Sale or Redemption of Shares

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

## Dividends

The board of directors (the “**Directors**”) of the Company (the “**Board**”) does not recommend payment of any dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## Corporate Governance

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

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

## Specific Performance Obligations of Controlling Shareholders Under Rule 13.18 of the Listing Rules

### July 2018 Facility Agreement

To refinance certain existing bank loans, on 16 July 2018, Goodbaby (Hong Kong) Limited, a wholly-owned subsidiary of the Company (as borrower), the Company (as guarantor), one financial institution (as mandated lead arranger, bookrunner, facility agent and security agent) and certain financial institutions (as original lenders) entered into a facility agreement (the “**July 2018 Facility Agreement**”) in respect of a US\$152,000,000 term loan facility with a term of 36 months from the first utilisation date. The total commitment under the July 2018 Facility Agreement may be increased by not more than US\$98,000,000 by way of accession(s) of additional lender(s).

Under the July 2018 Facility Agreement, if Mr. Song together with his family (i) is no longer the single largest beneficial shareholder of the Company or (ii) no longer beneficially owns at least 20% of the issued share capital of the Company, then the borrower shall:

- (1) immediately notify the facility agent thereof. Forthwith after the issuance of such notice, no further utilisation shall be made and all the available facility shall be automatically cancelled in full; and
- (2) at the request of any lender prepay that lender's participation in the loans together with accrued interests thereon and break costs (if any).

As at the date of this report, the facility was fully repaid in respect of the July 2018 Facility Agreement.

For further details, please also refer to the announcement of the Company dated 16 July 2018.

## Other Information

### December 2018 Facility Agreement

To refinance certain existing bank loans, on 28 December 2018, Serena Merger Co., Inc., a wholly-owned subsidiary of the Company (as borrower), Goodbaby (Hong Kong) Limited, a wholly-owned subsidiary of the Company and the Company (as guarantors), one financial institution (as mandated lead arranger, bookrunner, facility agent and security agent) and certain financial institutions (as original lenders) entered into a facility agreement (the “**December 2018 Facility Agreement**”) in respect of a US\$100,000,000 term loan facility with a term of 36 months from the first utilisation date. The total commitment under the Facility Agreement may be increased by not more than US\$20,000,000 by way of accession(s) of additional lender(s).

Under the December 2018 Facility Agreement, if Mr. Song together with his family (i) is no longer the single largest beneficial shareholder of the Company or (ii) no longer beneficially owns at least 20% of the issued share capital of the Company, then the borrower shall:

- (1) immediately notify the facility agent thereof. Forthwith after the issuance of such notice, no further utilisation shall be made and all the available facility shall be automatically cancelled in full; and
- (2) at the request of any lender prepay that lender’s participation in the loans together with accrued interests thereon and break costs (if any).

The term loan facility under this December 2018 Facility Agreement was fully utilised in January 2019. As at the date of this report, US\$70,000,000 remains outstanding in respect of this December 2018 Facility Agreement.

For further details, please also refer to the announcement of the Company dated 31 December 2018.

### April 2021 Facility Agreement

To refinance certain existing bank loans, on 13 April 2021, Goodbaby (Hong Kong) Limited, a wholly-owned subsidiary of the Company (as borrower), the Company (as guarantor), one financial institution (as mandated lead arranger and bookrunner and underwriter, facility agent and security agent) and certain financial institutions (as original lenders) entered into a facility agreement (the “**April 2021 Facility Agreement**”) in respect of a US\$165,000,000 term loan facility with a term of 36 months from the first utilisation date. The total commitment under the April 2021 Facility Agreement may be increased by not more than US\$85,000,000 by way of accession(s) of additional lender(s). With this refinance, the debt structure of the Company will be optimized and relevant finance cost will be improved.

Under the April 2021 Facility Agreement, if (a) Mr. Song (together with his family, including his or his spouse’s family trust) is, collectively, no longer the single largest beneficial shareholder of the Company; or (b) Mr. Song (together with his family, including his or his spouse’s family trust) collectively, no longer beneficially owns at least 30% of the issued share capital of the Company, then the borrower shall:

- (1) immediately notify the facility agent thereof. Forthwith after the occurrence of such event or circumstance, no further utilisation shall be made and all the available facility shall be automatically cancelled in full; and
- (2) at the request of any lender, prepay that lender’s participation in the loans together with accrued interests thereon and break costs (if any).

If the shares in the Company are beneficially owned by any person mentioned above through one or more corporations (“**holding companies**”) controlled by such person(s) (whether acting alone or together), then the entire shareholding of such holding companies in the Company shall be taken into account in determining compliance with (a) and (b) above.

As at the date of this report, US\$100,000,000 remains outstanding in respect of this April 2021 Facility Agreement.

For further details, please also refer to the announcement of the Company dated 13 April 2021.

Save as disclosed above, as at 30 June 2021, the Company did not have other disclosure obligations under Rule 13.18 of the Listing Rules.

### 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 been made specific enquiries by the Company, all Directors have confirmed that they complied with the required standard of dealings set out in the Model Code throughout the Period.

### Audit Committee

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

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

### Interest and Short Positions of Directors in the Shares, Underlying Shares or Debentures

As at 30 June 2021, the interest or short positions of the Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”)) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required, pursuant to the Model Code, are as follows:

#### Directors’ Interest in the Shares and/or Underlying Shares

Name of Director	Nature of Interest	Number of Shares and/or Underlying Shares	Approximate percentage of Shareholding
Mr. Song Zhenghuan (“Mr. Song”) (Notes 2&5)	Beneficiary of a trust/ Beneficial owner/Interest of controlled corporation/ Interest of spouse	769,639,427(L)	46.14%
Mr. Martin Pos	Beneficial owner	73,747,293 (L)	4.42%
Mr. Xia Xinyue	Beneficial owner	12,400,000 (L)	0.74%
Mr. Liu Tongyou (“Mr. Liu”) (Note 3)	Beneficial owner/Interest of controlled corporation	39,710,573 (L)	2.38%
Mr. Michael Nan Qu	Beneficial owner/Interest of spouse	4,809,000 (L)	0.29%
Ms. Fu Jingqiu (“Ms. Fu”) (Notes 2&5)	Beneficiary of a trust/ Beneficial owner/Interest of spouse	769,639,427 (L)	46.14%
Mr. Ho Kwok Yin, Eric	Beneficial owner	1,096,000 (L)	0.07%
Mr. Iain Ferguson Bruce	Beneficial owner	896,000 (L)	0.05%
Mr. Shi Xiaoguang	Beneficial owner	896,000 (L)	0.05%
Ms. Chiang Yun	Beneficial owner	896,000 (L)	0.05%
Mr. Jin Peng	Beneficial owner	96,000 (L)	0.01%

## Other Information

Notes:

- (1) The letter “L” denotes the person’s long position in such shares.
- (2) Mr. Song and Ms. Fu are beneficiaries of Grappa Trust of which Credit Suisse Trust Limited (Singapore) is the trustee. Ms. Fu is a beneficiary of Golden Phoenix Trust of which Credit Suisse Trust Limited (Guernsey) is the trustee. See notes (2) to (4) of the section headed “Substantial Shareholders’ Interests and Short Positions” for further details of the interest.
- (3) Mr. Liu is interested in 29,057,573 shares of the Company held through Silvermount Limited, a company wholly owned by him. He also holds 10,653,000 share options of the Company.
- (4) Each of the Directors is deemed to have an interest in the underlying shares of the Company within the meaning of Part XV of the SFO in respect of the share options of the Company granted to him/her, details are as follows:

Name of Director	Number of Share Options granted
Mr. Song Zhenghuan	1,390,000
Mr. Martin Pos	24,100,000
Mr. Xia Xinyue	12,400,000
Mr. Liu Tongyou	10,653,000
Mr. Michael Nan Qu	4,700,000
Ms. Fu Jingjiu	2,207,000
Mr. Ho Kwok Yin, Eric	1,096,000
Mr. Iain Ferguson Bruce	896,000
Mr. Shi Xiaoguang	896,000
Ms. Chiang Yun	896,000
Mr. Jin Peng	96,000

- (5) Since Ms. Fu is Mr. Song’s spouse, each of Mr. Song and Ms. Fu is deemed to have an interest in the underlying shares of the Company within the meaning of Part XV of the SFO in respect of the share options of the Company granted to each of them.

Save as disclosed above, as at 30 June 2021, none of the Directors or chief executive of the Company or their respective close associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the company and the Stock Exchange pursuant to the Model Code.

### Substantial Shareholders’ Interests and Short Positions

As at 30 June 2021, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company:

Name	Capacity	Number of Shares and/or Underlying Shares	Approximate Percentage of Shareholding
Cayey Enterprises Limited (Note 2)	Interest of Controlled Corporation/Beneficial Owner	548,994,581 (L)	32.91%
Credit Suisse Trust Limited (Singapore) (Note 2)	Trustee	548,994,581 (L)	32.91%
Grappa Holdings Limited (Note 2)	Interest of Controlled Corporation	548,994,581 (L)	32.91%
Pacific United Developments Limited (“PUD”) (Note 2)	Beneficial Owner	409,518,229 (L)	24.55%
Sure Growth Investments Limited (Note 3)	Beneficial Owner	129,293,975 (L)	7.75%
FIL Limited	Investment Manager	132,059,000 (L)	7.92%
Pandanus Associates Inc.	Investment Manager	132,059,000 (L)	7.92%
Pandanus Partners L.P.	Investment Manager	132,059,000 (L)	7.92%
Credit Suisse Trust Limited (Guernsey) (Note 4)	Trustee	87,753,871 (L)	5.26%
Golden Phoenix Limited	Interest of Controlled Corporation	87,753,871 (L)	5.26%
Rosy Phoenix Limited (Note 4)	Beneficial owner	87,753,871 (L)	5.26%

Notes:

- (1) The letter “L” denotes the person’s long position in such shares.
- (2) PUD is owned as to approximately 53.13% by Cayey Enterprises Limited, which in turn is, as at 30 June 2021, wholly owned by Grappa Holdings Limited the issued share capital of which is owned as to 50% by Seletar Limited and as to 50% by Serangoon Limited, as nominees for Credit Suisse Trust Limited (Singapore), which is the trustee holding 548,994,581 interest on trust for the beneficiaries of the Grappa Trust. The beneficiaries of the Grappa Trust include Mr. Song, Ms. Fu and family members of Mr. Song and Ms. Fu. The Grappa Trust is a revocable discretionary trust established under the laws of Singapore.
- (3) Sure Growth Investments Limited is owned as to 44.44% by Mr. Song, as to 22.22% by Ms. Fu, as to 11.11% by Mr. Liu, executive director of the Company and as to 5.56% by Mr. Michael Nan Qu, executive director of the Company.
- (4) Rosy Phoenix Limited is indirectly held by Credit Suisse Trust Limited (Guernsey) as the trustee of the Golden Phoenix Trust; Ms. Fu is the settlor of the Golden Phoenix Trust and Credit Suisse Trust Limited (Guernsey) is the trustee holding 87,753,871 interest on trust for the beneficiaries that include Ms. Fu.

Save as disclosed above, as at 30 June 2021, the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

### Important Events After the Period

Details of the event after the reporting period of the Group are set out in note 29 to the Financial Statements.

### Disclosure of Information of Directors Under Rules 13.51(2) and 13.51(B)(1) of the Listing Rules

Changes in Directors’ biographical details since the date of the 2020 annual report of the Company, which are required to be disclosed pursuant to Rules 13.51(2) and 13.51(B)(1) of the Listing Rules, are set out below:-

#### Mr. Song Zhenghuan

Mr. Song has ceased to be a director of Pacquita Limited and Pinnacle Century Limited with effect from 1 February 2021. Mr. Song has also ceased to be an executive director of 唯小寶(江蘇)網絡技術有限公司 with effect from 23 August 2021.

#### Mr. Iain Ferguson Bruce

Mr. Bruce has ceased to be an independent non-executive director of South Shore Holdings Limited, a company listed on the Hong Kong Stock Exchange, with effect from 18 May 2021. Mr. Bruce also retired as an independent non-executive director of Tencent Holdings Limited, a company listed on the Hong Kong Stock Exchange, with effect from 20 May 2021.

Save as disclosed above, there is no change of information of each Director that is required to be disclosed under Rules 13.51(2) and 13.51(B)(1) of the Listing Rules since the publication of the 2020 annual report of the Company.

For and on behalf of the Board of Directors

**Song Zhenghuan**

*Chairman*

23 August 2021



**Report on Review  
of Interim Condensed  
Consolidated  
Financial Information**

# Report on Review of Interim Condensed Consolidated Financial Information

## To the Board of Directors of Goodbaby International Holdings Limited

(Established in the Cayman Islands with limited liability)

### Introduction

We have reviewed the interim financial information set out on pages 35 to 76, which comprises the condensed consolidated statement of financial position of Goodbaby International Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) as at 30 June 2021 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“**IAS 34**”) issued by the International Accounting Standards Board (the “**IASB**”).

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

### Ernst & Young

*Certified Public Accountants*

Hong Kong

23 August 2021

## Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021	2020
		(Unaudited)	
		(HK\$'000)	
Revenue	4	4,627,265	3,718,095
Cost of sales		(2,664,535)	(2,172,280)
<b>Gross profit</b>		1,962,730	1,545,815
Other income and gains	4	34,019	78,655
Selling and distribution expenses		(1,190,613)	(945,775)
Administrative expenses		(646,983)	(539,094)
Other expenses		(7,624)	(14,216)
<b>Operating profit</b>		151,529	125,385
Finance income	5	16,047	12,127
Finance costs	6	(45,625)	(69,041)
Share of losses of:			
Joint ventures		(1,138)	(306)
An associate		(6)	(43)
<b>Profit before tax</b>	7	120,807	68,122
Income tax expense	8	(19,646)	(13,855)
<b>Profit for the period</b>		101,161	54,267
Attributable to:			
Owners of the parent		101,071	54,138
Non-controlling interests		90	129
		<b>101,161</b>	<b>54,267</b>
Earnings per share attributable to ordinary equity holders of the parent:	10		
Basic			
For profit for the period (HK\$)		<b>0.06</b>	<b>0.03</b>
Diluted			
For profit for the period (HK\$)		<b>0.06</b>	<b>0.03</b>

## Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	(Unaudited)	
	(HK\$'000)	
<b>Profit for the period</b>	101,161	54,267
<b>Other comprehensive income/(loss)</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	31,660	4,468
Reclassification adjustments for (loss)/income included in the consolidated statement of profit or loss	(4,076)	4,343
Income tax effect	(4,400)	(206)
	23,184	8,605
Exchange differences:		
Exchange differences on translation of foreign operations	61,381	(115,705)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	84,565	(107,100)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Actuarial gains of defined benefit plans	295	643
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	295	643
<b>Other comprehensive income/(loss) for the period, net of tax</b>	84,860	(106,457)
<b>Total comprehensive income/(loss) for the period</b>	<b>186,021</b>	<b>(52,190)</b>
Attributable to:		
Owners of the parent	185,605	(52,015)
Non-controlling interests	416	(175)
	<b>186,021</b>	<b>(52,190)</b>

## Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	30 June 2021	31 December 2020
		(Unaudited)	(Audited)
(HK\$'000)			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	1,004,625	1,033,485
Right-of-use assets	12	289,458	256,844
Goodwill	13	2,783,097	2,763,595
Other intangible assets	14	2,286,998	2,287,136
Investment in joint ventures		3,496	5,070
Investment in an associate		2,372	2,243
Deferred tax assets		101,980	98,237
Other long-term assets		9,681	11,328
<b>Total non-current assets</b>		<b>6,481,707</b>	<b>6,457,938</b>
<b>CURRENT ASSETS</b>			
Inventories	15	2,087,858	2,061,439
Trade and notes receivables	16	1,278,642	1,134,657
Prepayments and other receivables		650,351	464,690
Due from related parties	28	7,392	6,532
Financial assets at fair value through profit or loss	22	7,086	6,994
Cash and cash equivalents	23	1,388,810	1,693,152
Pledged deposits	23	260,686	25,702
Derivative financial instruments	19	48,125	17,683
<b>Total current assets</b>		<b>5,728,950</b>	<b>5,410,849</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	17	1,428,668	1,455,446
Other payables and accruals		888,234	908,563
Income tax payable		49,331	27,491
Provision		59,072	54,547
Interest-bearing bank loans and other borrowings	18	1,936,175	1,986,869
Lease liabilities	12	82,905	95,600
Derivative financial instruments	19	4,946	6,003
Due to a related party	28	480	3,227
Defined benefit plan liabilities		388	388
<b>Total current liabilities</b>		<b>4,450,199</b>	<b>4,538,134</b>
<b>NET CURRENT ASSETS</b>		<b>1,278,751</b>	<b>872,715</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>7,760,458</b>	<b>7,330,653</b>

## Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	30 June 2021	31 December 2020
		(Unaudited)	(Audited)
(HK\$'000)			
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank loans and other borrowings	18	976,853	785,735
Provision		61,001	63,559
Defined benefit plan liabilities		4,107	4,232
Other liabilities		2,272	1,872
Lease liabilities	12	156,875	123,177
Deferred tax liabilities		571,725	570,509
<b>Total non-current liabilities</b>		<b>1,772,833</b>	<b>1,549,084</b>
<b>Net assets</b>		<b>5,987,625</b>	<b>5,781,569</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	20	16,680	16,680
Reserves		5,938,404	5,732,764
		5,955,084	5,749,444
Non-controlling interests		32,541	32,125
<b>Total equity</b>		<b>5,987,625</b>	<b>5,781,569</b>

SONG Zhenghuan  
Director

LIU Tongyou  
Director

## Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the parent											Non-controlling interests	Total equity
	Share capital	Share premium	Share option reserve	Statutory reserve funds	Cumulative translation adjustments	Defined benefit plans	Merger reserve	Capital reserve	Hedging reserve	Retained earnings	Total		
	(HK\$'000) (Unaudited)												
At 1 January 2021	16,680	3,320,401	156,865	218,797	145,362	4,985	153,975	(8,256)	2,105	1,738,530	5,749,444	32,125	5,781,569
Profit for the period	-	-	-	-	-	-	-	-	-	101,071	101,071	90	101,161
Other comprehensive Income for the period:													
Remeasurement effects of defined benefit plans	-	-	-	-	-	295	-	-	-	-	295	-	295
Cash flow hedges, net of tax	-	-	-	-	-	-	-	-	23,184	-	23,184	-	23,184
Exchange differences on translation	-	-	-	-	61,055	-	-	-	-	-	61,055	326	61,381
<b>Total comprehensive Income for the period</b>	-	-	-	-	61,055	295	-	-	23,184	101,071	185,605	416	186,021
Equity-settled share option arrangements	-	-	20,035	-	-	-	-	-	-	-	20,035	-	20,035
<b>At 30 June 2021 (unaudited)</b>	<b>16,680</b>	<b>3,320,401</b>	<b>176,900</b>	<b>218,797</b>	<b>206,417</b>	<b>5,280</b>	<b>153,975</b>	<b>(8,256)</b>	<b>25,289</b>	<b>1,839,601</b>	<b>5,955,084</b>	<b>32,541</b>	<b>5,987,625</b>

	Attributable to owners of the parent											Non-controlling interests	Total equity
	Share capital	Share premium	Share option reserve	Statutory reserve funds	Cumulative translation adjustments	Defined benefit plans	Merger reserve	Capital reserve	Hedging reserve	Retained earnings	Total		
	(HK\$'000) (Unaudited)												
At 1 January 2020	16,680	3,320,401	113,656	216,658	(249,736)	3,766	153,975	(21,651)	(371)	1,484,095	5,037,473	48,661	5,086,134
Profit for the period	-	-	-	-	-	-	-	-	-	54,138	54,138	129	54,267
Other comprehensive income for the period:													
Remeasurement effects of defined benefit plans	-	-	-	-	-	643	-	-	-	-	643	-	643
Cash flow hedges, net of tax	-	-	-	-	-	-	-	-	8,605	-	8,605	-	8,605
Exchange differences on translation	-	-	-	-	(115,401)	-	-	-	-	-	(115,401)	(304)	(115,705)
<b>Total comprehensive loss for the period</b>	-	-	-	-	(115,401)	643	-	-	8,605	54,138	(52,015)	(175)	(52,190)
Equity-settled share option arrangements	-	-	22,471	-	-	-	-	-	-	-	22,471	-	22,471
<b>At 30 June 2020 (unaudited)</b>	<b>16,680</b>	<b>3,320,401</b>	<b>136,127</b>	<b>216,658</b>	<b>(365,137)</b>	<b>4,409</b>	<b>153,975</b>	<b>(21,651)</b>	<b>8,234</b>	<b>1,538,233</b>	<b>5,007,929</b>	<b>48,486</b>	<b>5,056,415</b>

## Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	(Unaudited) (HK\$'000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax:	120,807	68,122
Adjustments for:		
Finance costs	45,625	69,041
Share of losses of joint ventures	1,138	306
Share of loss of an associate	6	43
Interest income	(16,047)	(12,127)
(Gain)/loss on disposal of items of property, plant and equipment	(2,740)	2,505
Fair value gains, net:		
Cash flow hedges (transfer from equity)	(512)	(292)
Derivative instruments – transactions not qualifying as hedges	–	(884)
Financial assets at fair value through profit or loss	–	(464)
Gain on wealth investment products	(677)	(2,597)
COVID-19 related rent concessions from lessors	(74)	(3,453)
Depreciation and amortization	245,116	221,869
Reversal provision of inventories	(4,912)	(4,701)
Provision for impairment of receivables	1,586	1,279
Equity-settled share option expense	20,035	22,471
	409,351	361,118
(Increase)/decrease in inventories	(21,507)	326,247
(Increase)/decrease in trade and notes receivables	(145,571)	52,502
Increase in prepayments and other receivables	(109,296)	(47,120)
(Increase)/decrease in amounts due from related parties	(860)	7,633
Decrease in trade and bills payables	(26,778)	(256,046)
Decrease in other payables and accruals	(17,329)	(98,445)
(Decrease)/increase in amounts due to a related party	(2,747)	1,538
Increase in pledged bank deposits	(23)	(1,644)
Decrease/(increase) in other long-term assets	1,647	(1,517)
Increase in derivative financial assets	(31,499)	(5,182)
Increase in provisions	1,967	14,648
Increase/(decrease) in other liabilities	400	(3,908)
Decrease in defined benefit plan liabilities	(125)	–
Cash generated from operations	57,630	349,824
Income tax refund	19,792	25,930
Income tax paid	(35,239)	(25,488)
Net cash flows from operating activities	42,183	350,266

	Six months ended 30 June	
	2021	2020
	(Unaudited) (HK\$'000)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	16,047	12,127
Proceeds from disposal of items of property, plant and equipment	4,883	3,600
Gain on wealth investment products received	677	2,597
Purchase of items of property, plant and equipment	(128,055)	(73,832)
Additions to other intangible assets	(20,142)	(7,640)
Exercise of put option over non-controlling interest	–	(2,045)
Net increase in wealth investment products	–	(164,400)
<b>Net cash flows used in investing activities</b>	<b>(126,590)</b>	<b>(229,593)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	1,359,080	3,504,595
Repayment of borrowings	(1,221,781)	(2,666,405)
Interest paid	(51,671)	(54,771)
Principal portion of lease payment	(74,797)	(49,199)
Increase in pledged bank deposits	(234,961)	–
<b>Net cash flows (used in)/from financing activities</b>	<b>(224,130)</b>	<b>734,220</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(308,537)</b>	<b>854,893</b>
Cash and cash equivalents at beginning of period	1,693,152	1,054,615
Effect of foreign exchange rate changes, net	4,195	(25,028)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>1,388,810</b>	<b>1,884,480</b>

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

## 1. Corporate Information

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2021 were authorized to issue in accordance with a resolution of directors on 23 August 2021.

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

The Group is principally engaged in the manufacturing and distribution of products for children.

## 2.1 Basis of Preparation

The interim condensed consolidated financial information for the six months ended 30 June 2021 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The financial information is presented in Hong Kong Dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

## 2.2 Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39,  
IFRS 7, IFRS 4 and IFRS 16  
Amendments to IFRS 16

*Interest Rate Benchmark Reform - Phase 2*

*COVID-19-Related Rent Concessions beyond 30 June 2021  
(early adopted)*

## 2.2 Changes in Accounting Policies and Disclosures (Continued)

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

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in United States dollars and foreign currencies based on the London Interbank Offered Rate (“**LIBOR**”) and the EURO Interbank Offered Rate (“**EURIBOR**”) as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.

- (b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the COVID-19 pandemic. A reduction in the lease payments arising from the rent concessions of HK\$74,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2021.

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 3. Operating Segment Information

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

- 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;
- 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;
- Non-durable products segment, which includes maternity and baby-care products and apparel and home textile products; and
- Others segment, which engages in the research, design, manufacture and sale of other children's products under the Group's own brands and third parties' brands.

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

#### Six months ended 30 June 2021

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

### 3. Operating Segment Information (Continued)

#### Six months ended 30 June 2020

	Strollers and accessories	Car seats and accessories	Non-durable products	Others	Consolidated
	(HK\$'000)				
	(Unaudited)				
<b>Segment revenue (note 4)</b>					
Sales to external customers	1,250,308	1,223,860	695,871	548,056	3,718,095
<b>Segment results</b>	535,494	554,997	312,283	143,041	1,545,815
<i>Reconciliation:</i>					
Other income and gains					78,655
Corporate and other unallocated expenses					(1,489,921)
Other expenses					(14,216)
Finance income					12,127
Finance costs (other than interest on lease liabilities)					(63,989)
Share of losses of:					
Joint ventures					(306)
An associate					(43)
<b>Profit before tax</b>					<b>68,122</b>
<b>Other segment information:</b>					
Impairment losses recognised/(reversed) in the statement of profit or loss	(3,153)	(4,144)	4,599	(724)	(3,422)
Depreciation and amortization	88,044	78,409	30,580	24,836	221,869

#### Geographical information

##### (a) Revenue from external customers

	European market	North America market	Mainland China market	Other overseas markets	Total
	(HK\$'000)				
	(Unaudited)				
<b>Six months ended 30 June 2021</b>					
<b>Segment revenue:</b>					
Sales to external customers	1,420,143	1,569,936	1,337,595	299,591	4,627,265
<b>Six months ended 30 June 2020</b>					
<b>Segment revenue:</b>					
Sales to external customers	1,013,413	1,270,889	1,230,303	203,490	3,718,095

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

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 3. Operating Segment Information (Continued)

#### Geographical information (Continued)

##### (b) Non-current assets

	30 June 2021	31 December 2020
	(HK\$'000)	
	(Unaudited)	(Audited)
Mainland China	4,299,811	4,243,555
North America	1,016,616	1,024,665
Europe	1,055,770	1,072,841
	<b>6,372,197</b>	<b>6,341,061</b>

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

#### Information about a major customer

During the six months ended 30 June 2021, revenue from sales to a major customer of third party accounting for 10% or more of the total net sales of the Group is HK\$501,960,000 (during the six months ended 30 June 2020: HK\$407,948,000).

### 4. Revenue, Other Income and Gains

An analysis of revenue is as follows:

	Six months ended 30 June	
	2021	2020
	(HK\$'000)	
	(Unaudited)	
<i>Revenue from contracts with customers:</i>		
Sales of goods	4,614,492	3,707,833
Rendering of testing services	12,773	10,262
	<b>4,627,265</b>	<b>3,718,095</b>

#### 4. Revenue, Other Income and Gains (Continued)

##### Revenue from contracts with customers

##### (i) Disaggregated revenue information

##### For the six months ended 30 June 2021

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

##### For the six months ended 30 June 2020

Segments	Strollers and accessories	Car seats and accessories	Non-durables	Others	Total
	(HK\$'000) (Unaudited)				
<b>Types of goods or services</b>					
Sale of goods	1,250,308	1,223,860	695,871	537,794	3,707,833
Rendering of testing services	–	–	–	10,262	10,262
<b>Total revenue from contracts with customers</b>	<b>1,250,308</b>	<b>1,223,860</b>	<b>695,871</b>	<b>548,056</b>	<b>3,718,095</b>
<b>Timing of revenue recognition</b>					
Goods transferred at a point in time	1,250,308	1,223,860	695,871	537,794	3,707,833
Services transferred at a point in time	–	–	–	10,262	10,262
<b>Total revenue from contracts with customers</b>	<b>1,250,308</b>	<b>1,223,860</b>	<b>695,871</b>	<b>548,056</b>	<b>3,718,095</b>
<b>Revenue from contracts with customers</b>					
External customers	1,250,308	1,223,860	695,871	548,056	3,718,095

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 4. Revenue, Other Income and Gains (Continued)

#### Other income and gains:

	Six months ended 30 June	
	2021	2020
	(HK\$'000)	
	(Unaudited)	
Other income and gains		
Government grants (note (a))	26,849	64,459
Gain on disposal of fixed assets	2,740	–
Gain on sales of scrap materials	1,800	–
Gain on wealth investment products (note (b))	677	2,597
Compensation income (note (c))	434	2,090
Rental concession income	74	3,453
Net foreign exchange gain	–	2,557
Fair value gains, net		
– Cash flow hedges (transfer from equity)	512	292
– Derivative instruments – transactions not qualifying as hedges	–	884
– Financial assets at fair value through profit or loss	–	464
– Gains on call/put options over non-controlling interests	–	1,350
Others	933	509
<b>Total</b>	<b>34,019</b>	<b>78,655</b>

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

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

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

### 5. Finance Income

	Six months ended 30 June	
	2021	2020
	(HK\$'000)	
	(Unaudited)	
Interest income on bank deposits	16,047	12,127

## 6. Finance Costs

	Six months ended 30 June	
	2021	2020
	(HK\$'000)	
	(Unaudited)	
Interest on bank loans, overdrafts and other loans	41,830	63,989
Interest on lease liabilities	3,795	5,052
	<b>45,625</b>	<b>69,041</b>

## 7. Profit Before Tax

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

	Six months ended 30 June	
	2021	2020
	(HK\$'000)	
	(Unaudited)	
Cost of inventories sold	2,658,220	2,167,648
Cost of services provided	6,315	4,632
Depreciation of property, plant and equipment	152,126	140,189
Depreciation of right-of-use assets	59,655	57,029
Amortisation of intangible assets	33,335	24,651
Research and development ("R&D") costs	198,018	146,802
Short-term rental expenses*	19,680	23,959
Auditors' remuneration	4,938	4,640
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	888,951	732,619
Share option expense	20,035	22,471
Pension scheme costs (defined benefit plans) (including administrative expense)	460	454
Pension scheme contributions	32,894	18,772
	942,340	774,316
Net foreign exchange losses/(gain)	2,589	(2,557)
Fair value gains, net:		
– Cash flow hedges (transfer from equity)	(512)	(292)
– Derivative instruments – transactions not qualifying as hedges	–	(884)
– Financial assets at fair value through profit or loss	–	(464)
– Gains on call/put options over non-controlling interests	–	(1,350)
Provision for impairment of receivables	1,586	1,279
Reversal of provision of inventories	(4,912)	(4,701)
Product warranties and liabilities	35,782	33,778
(Gain)/loss on disposal of items of property, plant and equipment	(2,740)	2,505
Bank interest income	(16,047)	(12,127)

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

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 8. Income Tax Expense

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

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

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

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

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

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

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

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

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

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

	Six months ended 30 June	
	2021	2020
	(HK\$'000)	
	(Unaudited)	
Current income tax		
– Charge for the period	24,857	13,702
Deferred income tax	(5,211)	153
<b>Income tax expense reported in the statement of profit or loss</b>	<b>19,646</b>	<b>13,855</b>

## 9. Dividends

The board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## 10. Earnings Per Share

The calculation of the basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,668,024,099 in issue during the six months ended 30 June 2021 (six months ended 30 June 2020: 1,668,023,166).

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

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021.

The calculation of earnings per share is based on:

	Six months ended 30 June	
	2021	2020
	(HK\$'000)	
Earnings		
<b>Profit attributable to ordinary equity holders of the parent, used in the earnings per share calculation</b>	<b>101,071</b>	<b>54,138</b>

  

	Number of shares	
	Six months ended 30 June	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,668,024,099	1,668,023,166
Effect of dilution-weighted average number of ordinary shares:		
Share options	1,187,698	–
<b>Total</b>	<b>1,669,211,797</b>	<b>1,668,023,166</b>

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 11. Property, Plant and Equipment

30 June 2021

	Buildings and land	Plant and machinery	Motor vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
	(HK\$'000)						
	(Unaudited)						
At 31 December 2020 and at 1 January 2021:							
Cost	628,895	1,265,590	23,745	545,931	301,499	61,489	2,827,149
Accumulated depreciation and impairment	(379,271)	(822,313)	(15,890)	(434,318)	(141,872)	–	(1,793,664)
<b>Net carrying amount</b>	<b>249,624</b>	<b>443,277</b>	<b>7,855</b>	<b>111,613</b>	<b>159,627</b>	<b>61,489</b>	<b>1,033,485</b>
At 1 January 2021, net of accumulated depreciation and impairment	249,624	443,277	7,855	111,613	159,627	61,489	1,033,485
Additions	3,581	5,603	102	16,140	38,559	64,070	128,055
Disposals	(2)	(1,346)	(1)	(88)	(706)	–	(2,143)
Depreciation provided during the period	(21,406)	(68,536)	(1,319)	(30,094)	(30,771)	–	(152,126)
Transfers	1,503	17,002	–	6,444	870	(25,819)	–
Exchange realignment	2,454	(1,913)	103	(1,591)	(1,254)	(445)	(2,646)
<b>At 30 June 2021, net of accumulated depreciation and impairment</b>	<b>235,754</b>	<b>394,087</b>	<b>6,740</b>	<b>102,424</b>	<b>166,325</b>	<b>99,295</b>	<b>1,004,625</b>
At 30 June 2021:							
Cost	640,934	1,238,112	24,135	570,116	335,842	99,295	2,908,434
Accumulated depreciation and impairment	(405,180)	(844,025)	(17,395)	(467,692)	(169,517)	–	(1,903,809)
<b>Net carrying amount</b>	<b>235,754</b>	<b>394,087</b>	<b>6,740</b>	<b>102,424</b>	<b>166,325</b>	<b>99,295</b>	<b>1,004,625</b>

**11. Property, Plant and Equipment** (Continued)**31 December 2020**

	Buildings and land	Plant and machinery	Motor vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
	(HK\$'000)						
	(Audited)						
At 31 December 2019 and at 1 January 2020:							
Cost	595,032	1,167,878	23,442	501,392	182,629	74,485	2,544,858
Accumulated depreciation	(319,258)	(695,529)	(13,673)	(362,343)	(94,483)	–	(1,485,286)
<b>Net carrying amount</b>	<b>275,774</b>	<b>472,349</b>	<b>9,769</b>	<b>139,049</b>	<b>88,146</b>	<b>74,485</b>	<b>1,059,572</b>
At 1 January 2020, net of accumulated depreciation	275,774	472,349	9,769	139,049	88,146	74,485	1,059,572
Additions	2,924	41,901	371	21,254	100,399	78,027	244,876
Disposals	–	(15,673)	(107)	(1,668)	–	(6,554)	(24,002)
Disposal of a subsidiary	–	–	(20)	(7)	–	–	(27)
Depreciation provided during the year	(40,704)	(141,852)	(2,525)	(56,957)	(45,884)	–	(287,922)
Impairment	(393)	(9,704)	(15)	(850)	–	–	(10,962)
Transfers	3,032	70,547	–	7,785	3,395	(84,759)	–
Exchange realignment	8,991	25,709	382	3,007	13,571	290	51,950
<b>At 31 December 2020, net of accumulated depreciation and impairment</b>	<b>249,624</b>	<b>443,277</b>	<b>7,855</b>	<b>111,613</b>	<b>159,627</b>	<b>61,489</b>	<b>1,033,485</b>
At 31 December 2020:							
Cost	628,895	1,265,590	23,745	545,931	301,499	61,489	2,827,149
Accumulated depreciation and impairment	(379,271)	(822,313)	(15,890)	(434,318)	(141,872)	–	(1,793,664)
<b>Net carrying amount</b>	<b>249,624</b>	<b>443,277</b>	<b>7,855</b>	<b>111,613</b>	<b>159,627</b>	<b>61,489</b>	<b>1,033,485</b>

At 30 June 2021, certain of the Group's plant and machinery with a net carrying amount of approximately HK\$8,178,000 (31 December 2020: HK\$10,810,000) were pledged to secure bank loan granted to the Group (note 18).

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 12. Leases

The Group has lease contracts for various items of plant and machinery, motor vehicles and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 10 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of plant and machinery generally have lease terms between 3 and 6 years. Buildings generally have lease term between 1 and 10 years. Furniture and fixtures generally have lease terms between 2 and 5 years, while motor vehicles generally have lease terms between 1 and 5 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

#### (a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets, and the movement during the period/year are as follows:

##### 30 June 2021

	Prepaid land lease payments	Buildings	Plant and machinery	Motor vehicles	Furniture and fixtures	Total
	(HK\$'000)					
	(Unaudited)					
As at 1 January 2021	48,514	189,641	1,741	16,690	258	256,844
Additions	–	3,773	1,315	8,561	180	13,829
Modification	–	80,414	–	–	–	80,414
Depreciation charge	(730)	(52,669)	(769)	(5,426)	(61)	(59,655)
Exchange realignment	237	(1,609)	3	(594)	(11)	(1,974)
As at 30 June 2021	48,021	219,550	2,290	19,231	366	289,458

##### 31 December 2020

	Prepaid land lease payments	Buildings	Plant and machinery	Motor vehicles	Furniture and fixtures	Total
	(HK\$'000)					
	(Audited)					
As at 1 January 2020	47,949	234,151	2,302	11,594	484	296,480
Additions	–	53,012	944	14,500	452	68,908
Modification	–	(715)	–	(254)	–	(969)
Depreciation charge	(1,023)	(107,641)	(1,495)	(10,459)	(700)	(121,318)
Exchange realignment	1,588	10,834	(10)	1,309	22	13,743
As at 31 December 2020	48,514	189,641	1,741	16,690	258	256,844

## 12. Leases (Continued)

### (b) Lease liabilities

	As at 30 June 2021	As at 31 December 2020
	(HK\$'000)	
	(Unaudited)	(Audited)
Current	82,905	95,600
Non-current	156,875	123,177
<b>Carrying amount at period/year end</b>	<b>239,780</b>	<b>218,777</b>

## 13. Goodwill

	(HK\$'000)
Cost and net carrying amount at 31 December 2019 and 1 January 2020 (Audited)	2,637,062
Exchange realignment	126,533
Cost and net carrying amount at 31 December 2020 and 1 January 2021 (Audited)	2,763,595
Exchange realignment	19,502
<b>Cost and net carrying amount at 30 June 2021 (Unaudited)</b>	<b>2,783,097</b>

## 14. Other Intangible Assets

### 30 June 2021

	Trademarks	Computer software	Non-compete agreement	Customer relationship	Patents	Total
	(HK\$'000)					
	(Unaudited)					
At 31 December 2020 and at 1 January 2021:						
Cost	1,801,992	110,534	7,785	575,172	77,718	2,573,201
Accumulated amortisation	(32,438)	(54,481)	(7,710)	(153,856)	(37,580)	(286,065)
<b>Net carrying amount</b>	<b>1,769,554</b>	<b>56,053</b>	<b>75</b>	<b>421,316</b>	<b>40,138</b>	<b>2,287,136</b>
At 1 January 2021, net of accumulated amortisation	1,769,554	56,053	75	421,316	40,138	2,287,136
Additions	270	15,524	–	8,898	1,621	26,313
Disposal	–	–	(17)	–	–	(17)
Amortisation provided during the period	(1,317)	(9,436)	–	(19,987)	(2,595)	(33,335)
Exchange realignment	5,029	(872)	(2)	3,298	(552)	6,901
<b>At 30 June 2021, net of accumulated depreciation</b>	<b>1,773,536</b>	<b>61,269</b>	<b>56</b>	<b>413,525</b>	<b>38,612</b>	<b>2,286,998</b>
At 30 June 2021:						
Cost	1,807,627	124,320	7,562	586,359	78,147	2,604,015
Accumulated amortisation	(34,091)	(63,051)	(7,506)	(172,834)	(39,535)	(317,017)
<b>Net carrying amount</b>	<b>1,773,536</b>	<b>61,269</b>	<b>56</b>	<b>413,525</b>	<b>38,612</b>	<b>2,286,998</b>

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 14. Other Intangible Assets (Continued)

#### 31 December 2020

	Trademarks	Computer software	Non-compete agreement	Customer relationship	Patents	Total
	(HK\$'000)					
	(Audited)					
At 31 December 2019 and at 1 January 2020:						
Cost	1,697,555	84,098	7,178	538,144	69,995	2,396,970
Accumulated amortisation	(29,722)	(43,710)	(7,106)	(109,234)	(29,697)	(219,469)
<b>Net carrying amount</b>	<b>1,667,833</b>	<b>40,388</b>	<b>72</b>	<b>428,910</b>	<b>40,298</b>	<b>2,177,501</b>
At 1 January 2020, net of accumulated amortisation	1,667,833	40,388	72	428,910	40,298	2,177,501
Additions	30	26,558	–	2,539	2,180	31,307
Disposals	–	(776)	–	–	–	(776)
Amortisation provided during the year	(2,013)	(9,752)	–	(39,399)	(5,106)	(56,270)
Exchange realignment	103,704	(365)	3	29,266	2,766	135,374
<b>At 31 December 2020, net of accumulated depreciation</b>	<b>1,769,554</b>	<b>56,053</b>	<b>75</b>	<b>421,316</b>	<b>40,138</b>	<b>2,287,136</b>
At 31 December 2020:						
Cost	1,801,992	110,534	7,785	575,172	77,718	2,573,201
Accumulated amortisation	(32,438)	(54,481)	(7,710)	(153,856)	(37,580)	(286,065)
<b>Net carrying amount</b>	<b>1,769,554</b>	<b>56,053</b>	<b>75</b>	<b>421,316</b>	<b>40,138</b>	<b>2,287,136</b>

### 15. Inventories

	As at 30 June 2021	As at 31 December 2020
	(HK\$'000)	
	(Unaudited)	(Audited)
Raw materials	263,307	327,355
Work in progress	45,203	46,705
Finished goods	1,779,348	1,687,379
	<b>2,087,858</b>	<b>2,061,439</b>

## 16. Trade and Notes Receivables

	As at 30 June 2021	As at 31 December 2020
	(HK\$'000)	
	(Unaudited)	(Audited)
Trade receivables	1,306,903	1,163,236
Notes receivables	4,581	2,905
	1,311,484	1,166,141
Impairment for trade receivables	(32,842)	(31,484)
	<b>1,278,642</b>	<b>1,134,657</b>

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

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

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

	As at 30 June 2021	As at 31 December 2020
	(HK\$'000)	
	(Unaudited)	(Audited)
Within 3 months	1,202,260	1,064,257
3 to 6 months	37,206	39,776
6 months to 1 year	23,546	18,433
Over 1 year	11,049	9,286
	<b>1,274,061</b>	<b>1,131,752</b>

## Notes to the Interim Condensed Consolidated Financial Information

### 17. Trade and Bills Payables

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

	As at	As at
	30 June 2021	31 December 2020
	(HK\$'000)	
	(Unaudited)	(Audited)
Within 3 months	1,202,720	1,186,600
3 to 12 months	212,524	261,273
1 to 2 years	8,560	5,332
2 to 3 years	3,615	1,483
Over 3 years	1,249	758
	<b>1,428,668</b>	<b>1,455,446</b>

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

### 18. Interest-bearing Bank Loans and Other Borrowings

		As at 30 June 2021		As at 31 December 2020	
		Maturity	(HK\$'000)	Maturity	(HK\$'000)
			(Unaudited)		(Audited)
Current					
Bank overdrafts – secured	Note (a)	2021	321,964	2021	291,772
Bank overdrafts – unsecured	Note (a)	2021	–	2021	283
Current portion of long-term bank loans – secured	Note (b)	2021-2022	1,387,730	2021	1,690,214
Bank borrowings – secured	Note (b)	2021	183,978	2021	4,135
Promissory note	Note (c)	2022	466	2021	465
Bank borrowings – unsecured		2022	42,037		–
			1,936,175		1,986,869
Non-current					
Bank borrowings – secured	Note (b)	2023	221,672	2022-2023	548,187
Bank borrowings – unsecured		2022-2024	755,181	2022	237,083
Promissory note	Note (c)		–	2022	465
			976,853		785,735
<b>Total</b>			<b>2,913,028</b>		<b>2,772,604</b>

Note (a): The bank overdraft facilities amounted to HK\$401,746,000, of which HK\$321,964,000 had been utilised as at the end of the reporting period. The bank overdraft facilities are revolving facilities with no termination date.

Note (b): As at 30 June 2021, certain of the Group's bank loans are secured by:

- (i) Certain machinery amounting to HK\$8,178,000 (31 December 2020: HK\$10,810,000);
- (ii) A standby letter of credit from certain banks issued by a subsidiary of the Company; and
- (iii) The guarantee from the Company and a subsidiary of the Company (31 December 2020: the guarantee from the Company).

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

Note (d): The effective interest rates of the bank loans and other borrowing range from 0.59% to 3.6% (2020: 1.05% to 6%).

## 19. Derivative Financial Instruments

	As at 30 June 2021	
	Assets	Liabilities
	(HK\$'000)	
(Unaudited)		
Forward currency contracts		
– designated as hedging instruments	48,125	4,946

  

	As at 31 December 2020	
	Assets	Liabilities
	(HK\$'000)	
(Audited)		
Forward currency contracts		
– designated as hedging instruments	17,683	6,003

## 20. Share Capital

	Number of shares in issue	Issued capital
	('000)	(HK\$'000)
Issued and fully paid:		
At 1 January 2021	1,668,023	16,680
Share options exercised (note(a))	8	–
<b>At 30 June 2021</b>	<b>1,668,031</b>	<b>16,680</b>

Note (a): The subscription rights attaching to 8,000 share options were exercised at the subscription prices of HK\$0.96 per share, resulting in the issue of 8,000 shares of HK\$0.01 each for a total cash consideration, before expenses, of HK\$7,680.

Details of the Group's share option scheme and the share options issued under the scheme are included in note 21 to the financial statements.

## 21. 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**”).

## Notes to the Interim Condensed Consolidated Financial Information

### 21. Share Option Scheme (Continued)

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

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

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

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

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

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

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

## 21. Share Option Scheme (Continued)

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 2010 Share Option Scheme during the six months ended 30 June 2021:

	Weighted average exercise price	Number of options
	HK\$ per share	('000)
At 1 January 2020	4.087	211,280
Forfeited during the year	4.068	(5,550)
Cancelled during the year	4.200	(96,650)
At 31 December 2020, 1 January 2021	3.984	109,080
Forfeited during the period	–	–
Cancelled during the period	–	–
<b>At 30 June 2021</b>	<b>3.984</b>	<b>109,080</b>

No share options were exercised, forfeited or cancelled in 2010 Share Option Scheme during the period ended 30 June 2021.

## Notes to the Interim Condensed Consolidated Financial Information

### 21. Share Option Scheme (Continued)

#### (a) 2010 Share Option Scheme (Continued)

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

#### 30 June 2021

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

**21. Share Option Scheme** (Continued)**(a) 2010 Share Option Scheme** (Continued)**31 December 2020**

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

## Notes to the Interim Condensed Consolidated Financial Information

### 21. Share Option Scheme (Continued)

#### (b) 2020 Share Option Scheme

	Weighted average exercise price	Number of options
	HK\$ per share	('000)
At 1 January 2020	–	–
Granted and accepted during the year	0.969	31,627
At 31 December 2020, 1 January 2021	0.969	31,627
Forfeited during the period	0.997	(1,272)
Exercised during the period	0.960	(8)
<b>At 30 June 2021</b>	<b>0.968</b>	<b>30,347</b>

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

#### 30 June 2021

Number of options	Exercise price	Exercise period
('000)	HK\$ per share	
280	0.96	28 August 2020 to 27 August 2027
280	0.96	28 August 2021 to 27 August 2027
280	0.96	28 August 2022 to 27 August 2027
2,174	0.96	27 September 2020 to 27 March 2028
3,262	0.96	27 September 2021 to 27 March 2028
5,436	0.96	27 September 2022 to 27 March 2028
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
2,589	0.96	23 May 2022 to 22 May 2029
3,883	0.96	23 May 2023 to 22 May 2029
6,471	0.96	23 May 2024 to 22 May 2029
922	1.01	11 December 2023 to 10 December 2030
1,384	1.01	11 December 2024 to 10 December 2030
2,306	1.01	11 December 2025 to 10 December 2030
<b>30,347</b>		

**21. Share Option Scheme** (Continued)**(b) 2020 Share Option Scheme** (Continued)**31 December 2020**

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

The Group recognised a share option expense of HK\$20,035,000 during the six months ended 30 June 2021 (six months ended 30 June 2020: HK\$22,471,000).

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

## Notes to the Interim Condensed Consolidated Financial Information

### 21. Share Option Scheme (Continued)

No other feature of the options granted was incorporated into the measurement of fair value. At the end of the reporting period, the Company had 109,080,000 and 30,346,500 share options outstanding under 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 139,426,500 additional ordinary shares of the Company and additional share capital of HK\$1,394,000 and share premium of HK\$462,580,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 109,080,000 and 30,284,500 share options outstanding under 2010 Share Option Scheme and 2020 Share Option Scheme respectively, which represented approximately 6.54% and 1.82% of the Company's shares in issue as at that date respectively.

### 22. Financial Assets at Fair Value through Profit or Loss

	As at 30 June 2021	As at 31 December 2020
	(HK\$'000)	
	(Unaudited)	(Audited)
Wealth investment products	7,086	6,994

Financial assets at fair value through profit or loss represented the Wealth investment products placed with China International Trust and Investment Corporation in Mainland China and its maturity date is due by 17 September 2021.

## 23. Cash and Cash Equivalents

	As at 30 June 2021	As at 31 December 2020
	(HK\$'000)	
	(Unaudited)	(Audited)
Cash and bank balances	1,649,496	1,718,854
Less: Pledged deposits	260,686	25,702
<b>Cash and cash equivalents</b>	<b>1,388,810</b>	<b>1,693,152</b>
Denominated in US\$	187,101	556,005
Denominated in RMB	1,217,182	922,934
Denominated in EUR	166,779	167,395
Denominated in HK\$	18,580	17,156
Denominated in other currencies	59,854	55,364
<b>Cash and bank balances</b>	<b>1,649,496</b>	<b>1,718,854</b>

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

## Notes to the Interim Condensed Consolidated Financial Information

### 24. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

#### Financial assets

As at 30 June 2021	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	(HK\$'000) (Unaudited)		
Trade and notes receivables	–	1,278,642	1,278,642
Financial assets included in prepayments and other receivables	–	437,877	437,877
Financial assets at fair value through profit or loss	7,086	–	7,086
Due from related parties	–	7,392	7,392
Derivative financial instruments	48,125	–	48,125
Other long-term assets	1,662	8,019	9,681
Pledged bank deposits	–	260,686	260,686
Cash and cash equivalents	–	1,388,810	1,388,810
	<b>56,873</b>	<b>3,381,426</b>	<b>3,438,299</b>

  

As at 31 December 2020	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	(HK\$'000) (Audited)		
Trade and notes receivables	–	1,134,657	1,134,657
Financial assets included in prepayments and other receivables	–	361,522	361,522
Financial assets at fair value through profit or loss	6,994	–	6,994
Due from related parties	–	6,532	6,532
Derivative financial instruments	17,683	–	17,683
Other long-term assets	1,716	9,612	11,328
Pledged bank deposits	–	25,702	25,702
Cash and cash equivalents	–	1,693,152	1,693,152
	<b>26,393</b>	<b>3,231,177</b>	<b>3,257,570</b>

**24. Financial Instruments by Category** (Continued)**Financial liabilities**

As at 30 June 2021	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	(HK\$'000) (Unaudited)		
Financial liabilities included in other payables and accruals	–	219,639	219,639
Trade and bills payables	–	1,428,668	1,428,668
Interest-bearing bank loans and other borrowings	–	2,913,028	2,913,028
Derivative financial instruments	4,946	–	4,946
Due to a related party	–	480	480
	<b>4,946</b>	<b>4,561,815</b>	<b>4,566,761</b>

  

As at 31 December 2020	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	(HK\$'000) (Audited)		
Financial liabilities included in other payables and accruals	–	235,874	235,874
Trade and bills payables	–	1,455,446	1,455,446
Interest-bearing bank loans and other borrowings	–	2,772,604	2,772,604
Derivative financial instruments	6,003	–	6,003
Due to related parties	–	3,227	3,227
	<b>6,003</b>	<b>4,467,151</b>	<b>4,473,154</b>

## Notes to the Interim Condensed Consolidated Financial Information

### 25. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying Amounts		Fair Values	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
	(HK\$'000)			
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
<b>Financial Assets</b>				
Derivative financial instruments	48,125	17,683	48,125	17,683
Other long-term assets – call options over non-controlling interests	1,662	1,716	1,662	1,716
Financial assets at fair value through profit or loss	7,086	6,994	7,086	6,994
	<b>56,873</b>	<b>26,393</b>	<b>56,873</b>	<b>26,393</b>

	Carrying Amounts		Fair Values	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
	(HK\$'000)			
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
<b>Financial Liabilities</b>				
Derivative financial instruments	4,946	6,003	4,946	6,003
Interest-bearing bank loans and other borrowing (other than lease liabilities)	2,913,028	2,772,604	2,921,395	2,767,520
	<b>2,917,974</b>	<b>2,778,607</b>	<b>2,926,341</b>	<b>2,773,523</b>

The finance manager of each subsidiary of the Group is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The Group finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

## 25. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Group enters into forward currency contracts with various counterparties, principally financial institutions with high credit ratings. The forward currency contracts are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts are the same as their fair values.

The Group adopts Black-Scholes option valuation model in determining the fair value of the call option over non-controlling interests. The assumptions made are not supported by observable market price or interest rate. The Group believes that the fair value estimated using valuation techniques is reasonable and the most appropriate value as of the balance sheet date.

For put option over non-controlling interests, the fair values are determined as the present values of the future payments to be made when the options are exercised. The assumptions made are not supported by observable market price or interest rate. Discount rates need to be estimated. The Group believes that the fair value estimated using valuation techniques is reasonable and the most appropriate value as of the balance sheet date.

As at 30 June 2021, the marked-to-market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the financial instruments recognised at fair value.

## Notes to the Interim Condensed Consolidated Financial Information

### 25. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

#### Fair value hierarchy

Assets measured at fair value:

#### As at 30 June 2021

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant Observable inputs (Level 2)	Significant Unobservable inputs (Level 3)	
	(HK\$'000)			
	(Unaudited)			
Derivative financial instruments	–	48,125	–	48,125
Other long-term assets – call option over non-controlling interests	–	–	1,662	1,662
Financial assets at fair value through profit or loss	–	7,086	–	7,086
	–	55,211	1,662	56,873

#### As at 31 December 2020

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant Observable inputs (Level 2)	Significant Unobservable inputs (Level 3)	
	(HK\$'000)			
	(Audited)			
Derivative financial instruments	–	17,683	–	17,683
Other long-term assets – call option over non-controlling interests	–	–	1,716	1,716
Financial assets at fair value through profit or loss	–	6,994	–	6,994
	–	24,677	1,716	26,393

The movements in fair value measurements in Level 3 during the period are as follows:

	Six months ended 30 June	
	2021	2020
	(HK\$'000)	
	(Unaudited)	
At 1 January	1,716	672
Exchange realignment	(54)	(2)
At 30 June	1,662	670

## 25. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

### Fair value hierarchy (Continued)

Liabilities measured at fair value:

#### As at 30 June 2021

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant Observable inputs (Level 2)	Significant Unobservable inputs (Level 3)	
	(HK\$'000)			
	(Unaudited)			
Derivative financial instruments	–	4,946	–	4,946
Interest-bearing bank loans and other borrowings (other than lease liabilities)	–	2,921,395	–	2,921,395
	–	2,926,341	–	2,926,341

#### As at 31 December 2020

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant Observable inputs (Level 2)	Significant Unobservable inputs (Level 3)	
	(HK\$'000)			
	(Audited)			
Derivative financial instruments	–	6,003	–	6,003
Interest-bearing bank loans and other borrowings (other than lease liabilities)	–	2,767,520	–	2,767,520
	–	2,773,523	–	2,773,523

The movements in fair value measurements in Level 3 during the period are as follows:

	Six months ended 30 June	
	2021	2020
	(HK\$'000)	
	(Unaudited)	
At 1 January	–	3,734
Total losses recognised in the statement of profit or loss included in other income	–	1,350
Exchange realignment	–	(4,797)
<b>At 30 June</b>	<b>–</b>	<b>287</b>

During the period ended 30 June 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

## Notes to the Interim Condensed Consolidated Financial Information

### 26. 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.

### 27. Commitments

The Group had the following capital commitments as at 30 June 2021 and 31 December 2020:

	30 June 2021	31 December 2020
	(HK\$'000)	
	(Unaudited)	(Audited)
Contracted, but not provided for in respect of the acquisition of:		
Property, plant and equipment	8,968	2,915

### 28. Related Party Transactions and Balances

#### (a) Name and relationship

Name of related party	Relationship with the Group
Mr. Song Zhenghuan ("Mr. Song")	Director and one of the ultimate shareholders of the Company
Goodbaby Bairuikang Hygienic Products Co., Ltd. ("BRKH")	50/50 jointly controlled by First Shanghai Hygienic Products Limited and Sure Growth Investments Limited, which is significantly influenced by Mr. Song and his spouse
Goodbaby Group Co., Ltd. ("GGCL")	Controlled by Mr. Song and his spouse
Goodbaby China Holdings Limited ("CAGB")	Controlled by Mr. Song and his spouse
Goodbaby Group Pingxiang Co., Ltd. ("GGPX")	Wholly owned by GGCL
Suzhou Goodbaby Qingtao Technology Service Co., Ltd. ("GCQT")	Joint Venture
Goodbaby Mechatronics s.r.o. ("GBMS")	Joint Venture
Kunshan Goodbaby Tommee Tippee Child Products Co., Ltd. ("GCTP")	Joint Venture

**28. Related Party Transactions and Balances** (Continued)**(b) Related party transactions**

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the period.

	Six months ended 30 June	
	2021	2020
	(HK\$'000)	
(Unaudited)		
Sales of goods to a related party (note (a))		
<b>CAGB and its subsidiaries</b>	5,860	4,259
Purchase of goods to a related party (note (a))		
<b>GCQT</b>	698	1,371
Service charge from a related party (note (b))		
<b>GCQT</b>	608	–
Rental expense to a related party (note (b))		
<b>GGPX</b>	7,747	6,843

Note (a): The sales and purchase of goods were made according to the prices and terms mutually agreed between the related parties.

Note (b): The Group entered into lease agreements in respect of certain warehouse and plant from GGPX. The rental fee under the lease for the six months ended 30 June 2021 was HK\$7,747,000. At 30 June 2021, the Group recognised right-of-use assets of HK\$6,790,000 and lease liabilities of HK\$7,600,000. The transactions were made according to the prices and terms agreed with the related parties.

**(c) Outstanding balances with related parties**

	As at 30 June 2021	As at 31 December 2020
	(HK\$'000)	
	(Unaudited)	(Audited)
Amounts due from related parties:		
<b>CAGB and its subsidiaries</b>	4,793	4,739
<b>GBMS</b>	1,984	1,765
<b>GCQT</b>	615	28
	7,392	6,532
Right-of-use assets in relation to buildings recognised by the Group as a lessee to a related party		
<b>GGPX</b>	6,702	13,403
Lease liabilities due to a related party		
<b>GGPX</b>	7,501	14,826
Amounts due to a related party/related parties:		
<b>GCTP</b>	480	474
<b>GBMS</b>	–	2,753
	480	3,227

The amounts due from a related party are unsecured, interest-free and repayable within 120 days upon the date of invoice.

## Notes to the Interim Condensed Consolidated Financial Information

### 28. Related Party Transactions and Balances (Continued)

#### (d) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2021	2020
	(HK\$'000)	
	(Unaudited)	
Short term employee benefits	22,575	17,145
Equity-settled share option expense	18,489	18,830
Post-employment benefits	305	281
<b>Total compensation paid to key management personnel</b>	<b>41,369</b>	<b>36,256</b>

### 29. Events after the reporting period

On 13 April 2021, the Group entered into a facility agreement (the “**Loan Facility**”) with a financial institution in respect of a US\$165 million term loan facility with a term of 36 months from the first utilization date, for the purpose of refinancing certain existing bank loans as well as funding the Group’s general corporate usages. For further details, please also refer to the announcement of the Company dated 13 April 2021.

In July 2021, the Group withdrew and utilized an amount of US\$100 million (approximately HK\$776 million) from the Loan Facility, and fully settled the existing outstanding balance of the term loan facility under the facility agreement entered into on 16 July 2018 amounting to US\$84.8 million (approximately HK\$658 million).

### 30. Approval of the Financial Statements

The financial statements were approved and authorized for issue by the board of directors on 23 August 2021.

# Goodbaby

International

**Goodbaby International Holdings Limited**

(Incorporated in the Cayman Islands with limited liability)

[www.gbinternational.com.hk](http://www.gbinternational.com.hk)

Stock Code: 1086

