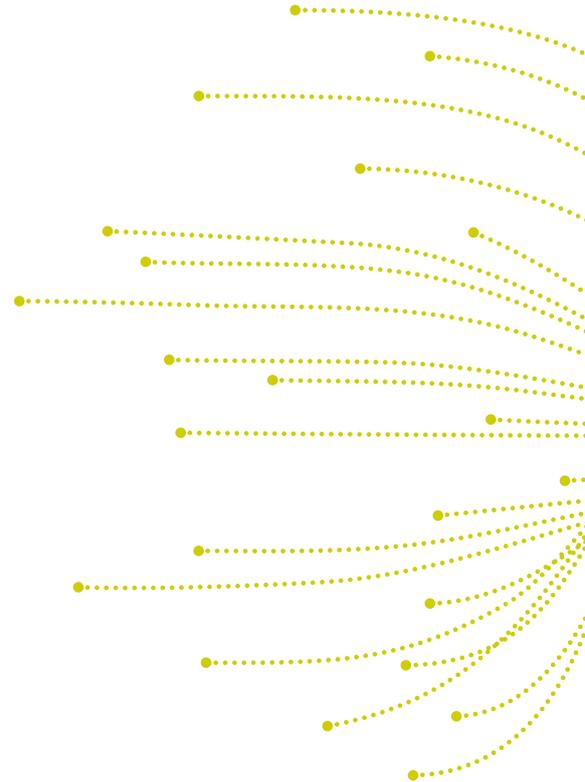
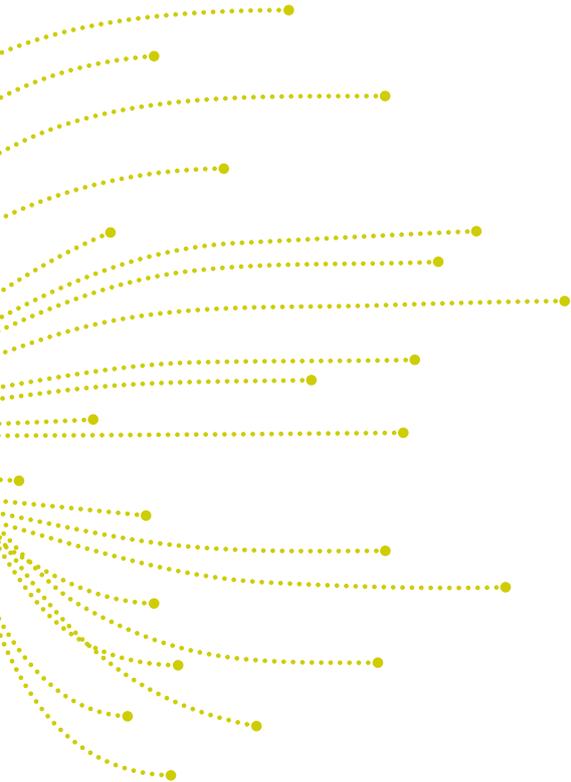




2022 Interim Report

Goodbaby International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
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

Ms. Chiang Yun
Mr. Shi Xiaoguang
Mr. Jin Peng
Mr. So Tak Young

Audit Committee

Ms. Chiang Yun (Chairlady)
Mr. Shi Xiaoguang
Mr. So Tak Young

Nomination Committee

Ms. Chiang Yun (Chairlady)
Mr. Shi Xiaoguang
Mr. So Tak Young

Remuneration Committee

Ms. Chiang Yun (Chairlady)
Mr. Shi Xiaoguang
Mr. So Tak Young

Registered Office

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KY1-1111
Cayman Islands

Auditors

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
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Hong Kong

Principal Share Registrar

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D
P.O. Box 1586, Gardenia Court
Camana Bay, Grand Cayman, KY1-1100
Cayman Islands

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited
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Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Authorized Representatives

Mr. Song Zhenghuan
Ms. Chow Yuk Yin, Ivy
(resigned on 5 September 2022)
Ms. Ho Wing Tsz, Wendy
(appointed on 5 September 2022)

Website

www.gbinternational.com.hk

Stock Code

1086

Head Office

28 East Lufeng Road, Lujia Town
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Principal Place of Business in Hong Kong

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Tung Chiu Commercial Centre
193 Lockhart Road
Wan Chai
Hong Kong

Company Secretary

Ms. Chow Yuk Yin, Ivy
(resigned on 5 September 2022)
Ms. Ho Wing Tsz, Wendy
(appointed on 5 September 2022)



Management Discussion and Analysis

Management Discussion and Analysis

Overview

Profitability strongly impacted amidst Unprecedented Global Challenges

During the six months ended 30 June 2022 (the “**Period**”), the Group (“**Goodbaby International Holdings Limited, together with its subsidiaries**”) withstood the major challenges presented by a protracted pandemic environment – particularly in our China market, massively increased global supply chain costs, continued global supply chain disruptions, and unfavorable foreign exchange rate movements in Europe. Additional challenges included a volatile European geopolitical landscape, and downward pressure on the global economy.

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

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

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

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

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

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

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

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

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

Executive Summary

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

- Amidst extremely difficult COVID-19 related challenges and geopolitical challenges, **CYBEX** brand recorded growth of 0.9% (a 10.1% increase on a constant currency basis) in the Period to reach another record first half revenue of approximately HK\$1,631.8 million from approximately HK\$1,617.9 million for the corresponding period in 2021. The first quarter revenue was very strong, while the second quarter revenue temporarily impacted due to ongoing global supply chain disruptions resulting lack of product availability. CYBEX has a very strong order book on hand, confirming continuous strong consumer demand. The growth momentum across all key global markets was primarily driven by very strong brand position and disruptive and innovative product portfolio, continued introduction of new products in car seats, wheeled goods and home furniture, continued expansion and fortification of global omni-channel distribution network, in particular, and the successful roll-out of its own e-commerce platform in Europe contributed to the positive growth performance. CYBEX has outperformed its competitors and gained market share in key markets. The positive revenue developments during the Period were offset primarily by unprecedented high global supply chain costs, unfavorable foreign exchange rate movements as the Euro weakened against the Chinese Renminbi (“**RMB**”) and persistently high input costs. During the Period, CYBEX continued to receive awards from independent European consumer testing (e.g. ADAC) and design (e.g. reddot design award) organizations, which proves the brand's steadfast commitment to technologies and design. The recently launched AnorisT car seat with full-body airbag technology was designated by the independent ADAC organization as “very good” – representing one of the safest car seats ever tested. CYBEX continues to gain market share and reinforce its global leading position as the premium “technical-lifestyle” brand.

Management Discussion and Analysis

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

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

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

Outlook

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

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

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

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

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

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

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

Management Discussion and Analysis

Financial Review

Revenue

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

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

(HK\$ million)	For the six months ended 30 June				Change (%)	Change on a constant currency basis (%)
	2022		2021			
	Revenue	% of revenue	Revenue	% of revenue		
Group's own brand and retailer private label businesses	3,812.2	87.2	3,985.0	86.1	-4.3%	-1.1%
– APAC	1,051.8	24.1	1,534.7	33.1	-31.5%	-31.2%
– EMEA	1,457.4	33.3	1,433.7	31.0	1.7%	11.3%
– Americas	1,303.0	29.8	1,016.6	22.0	28.2%	26.8%
Blue Chip business	560.6	12.8	642.3	13.9	-12.7%	-12.9%
Total	4,372.8	100.0	4,627.3	100.0	-5.5%	-2.7%

For the Period, the 4.3% decrease (1.1% decrease on a constant currency basis) of the Group's own brands and retailer private label businesses revenue were attributable to the combination result of growth of our strategic brands CYBEX and Evenflo, as well as the decrease of brand gb, for more information about performances by brand, please refer to Executive Summary of this Management Discussion and Analysis section.

- In region APAC, we recorded revenue from China market of approximately HK\$855.0 million in the Period against approximately HK\$1,337.6 million in the corresponding period in 2021, a decrease of 36.1% (a decrease of 36.4% on a constant currency basis). The decrease in region APAC was mainly attributable to the decrease in revenue from our core strategic brand gb in China. The revenue from APAC markets outside China remained stable.
- In region EMEA, we recorded revenue of approximately HK\$1,457.4 million for the Period, an increase of 1.7% (11.3% increase on a constant currency basis) from approximately HK\$1,433.7 million for the corresponding period in 2021. The growth in region EMEA was mainly attributable to the increase in revenue from our core strategic brand CYBEX.
- In region Americas, we recorded revenue of approximately HK\$1,303.0 million in the Period, an increase of 28.2% (26.8% increase on a constant currency basis) from approximately HK\$1,016.6 million for the corresponding period in 2021. The increase was mainly attributable to the increase in revenue from our core strategic brand Evenflo.

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

Cost of Sales, Gross Profit and Gross Profit Margin

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

Other Income and Gains

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

Management Discussion and Analysis

Selling and Distribution Expenses

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

Administrative Expenses

The Group's administrative expenses primarily consist of personnel costs, R&D costs, professional service expenses, depreciation and amortization cost and other office expenses. The administrative expenses increased by approximately HK\$44.6 million to approximately HK\$691.6 million for the Period from approximately HK\$647.0 million for the corresponding period in 2021. The increase was mainly due to: a) the increase in the R&D cost to approximately HK\$225.3 million for the Period from approximately HK\$198.0 million for the corresponding period in 2021; and b) the increase in personnel cost to approximately HK\$261.1 million for the Period from approximately HK\$248.0 million for the corresponding period in 2021.

Other Expenses

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

Operating Profit

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

Finance Income

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

Finance Costs

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

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

Profit/Loss Before Tax

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

Income Tax

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

Profit for the Period

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

Non-GAAP Financial Measures

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

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 2022 and 2021 to the nearest measures prepared in accordance with IFRS:

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

	Six months ended 30 June 2021			
	As reported	Adjustments		Non-GAAP
		Equity-settled share option expenses	Amortization of intangible assets (a)	
	(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%

Note:

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

Working Capital and Financial Resources

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

	As at 30 June 2022	As at 31 December 2021
Trade and notes receivables turnover days ⁽¹⁾	51	44
Trade and notes payables turnover days ⁽²⁾	95	98
Inventories turnover days ⁽³⁾	150	141

Notes:

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

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

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

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

Management Discussion and Analysis

Liquidity and Financial Resources

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

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

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

Contingent Liabilities

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

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

Exchange Rate Fluctuations

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

Pledge of Assets

As at 30 June 2022, bank deposits of approximately HK\$803.9 million (31 December 2021: HK\$805.6 million) were pledged for certain standby letters of credit from banks and for guarantee. Bank deposits of approximately HK\$9.8 million (31 December 2021: HK\$7.1 million) were pledged for interest reserve. Bank deposits of approximately HK\$315.7 million (31 December 2021: HK\$330.3 million) were pledged for certain long-term bank loans. Certain machinery amounting to approximately HK\$3.1 million (31 December 2021: HK\$5.8 million) was pledged to secure bank loan granted to the Group.

Gearing Ratio

As at 30 June 2022, the Group's gearing ratio (calculated by net debt divided by the sum of adjusted capital and net debt; the amount of net debt is calculated by the sum of trade and bills payables, other payables and accruals, payables due to related parties and interest-bearing bank loan and other borrowings (current and non-current) less monetary assets, including cash and cash equivalents, pledged deposits and certain financial assets designated at fair value through profit or loss; the amount of adjusted capital is calculated by equity attributable to owner of the parent minus hedging reserve) was approximately 38.7% (31 December 2021: approximately 38.6%), or 40.5% after taking into consideration the impact of IFRS 16) (as at 31 December 2021: approximately 40.4%).

Employees and Remuneration Policy

As at 30 June 2022, the Group had a total of 8,188 full-time employees (31 December 2021: 8,826). For the Period, costs of employees, excluding Directors' emoluments, amounted to a total of approximately HK\$925.0 million (for the corresponding period of 2021: approximately HK\$926.0 million). The Group determined the remuneration packages of all employees with reference to their position, competency, performance, value and market salary trend. The Group provides its employees in the 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 been cancelled or exercised under the 2010 Share Options Scheme and the 2020 Share Options Scheme. 1,510,000 of the share options had lapsed under the 2010 Share Options Scheme, and 1,155,667 share options had lapsed under the 2020 Share Options Scheme.

As at 30 June 2022, there were 134,108,500 outstanding share options in total under the 2010 Share Option Scheme and the 2020 Share Option Scheme (31 December 2021: 136,099,167).

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

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

Management Discussion and Analysis

Name of Director/former Director/Associate	Date of grant	Exercise Price	Number of share options							Closing price of securities immediately before the date of grant	
			Outstanding as at 1 January 2022	Granted during the Period	Exercised during the Period	Weighted average closing price immediately before the date of exercise	Cancelled/ Lapsed during the Period	Outstanding as at 30 June 2022	Percentage of total issued share capital ⁽¹⁾		Exercise period
			(HK\$)		(HK\$)						(HK\$)
Ms. Sharon Nan Kobler (associate of Mr. Song Zhenghuan and Ms. Fu Jingqiu)	19 June 2020	0.96	124,000	–	–	N/A	–	124,000	0.007%	23 May 2022 to 22 May 2029 ⁽²⁾	0.92
			186,000	–	–	N/A	–	186,000	0.011%	23 May 2023 to 22 May 2029 ⁽²⁾	
			310,000	–	–	N/A	–	310,000	0.019%	23 May 2024 to 22 May 2029 ⁽²⁾	
Mr. Martin Patrick Pos (associate of Mr. Martin Pos)	11 December 2020	1.01	310,000	–	–	N/A	–	310,000	0.019%	11 December 2020 to 10 December 2030 ⁽²⁾	1.00
Total number held by Directors	29 September 2014	3.58	11,780,000	–	–	N/A	–	11,780,000	0.706%	29 September 2014 to 28 September 2024 ⁽²⁾	3.49
	27 March 2018	4.54	27,500,000	–	–	N/A	–	27,500,000	1.649%	27 March 2018 to 27 March 2028 ⁽²⁾	4.12
	23 May 2019	3.75	6,900,000	–	–	N/A	–	6,900,000	0.414%	23 May 2019 to 22 May 2029 ⁽²⁾	1.94
	19 June 2020	0.96	12,254,000	–	–	N/A	–	12,254,000	0.735%	Refer to note ⁽²⁾	0.92
Total number held by former Director ⁽¹⁾	29 September 2014	3.58	800,000	–	–	N/A	–	800,000	0.048%	29 September 2014 to 28 September 2024 ⁽²⁾	3.49
	19 June 2020	0.96	19,200	–	–	N/A	–	19,200	0.001%	27 September 2020 to 27 March 2028 ⁽²⁾	0.92
			28,800	–	–	N/A	–	28,800	0.002%	27 September 2021 to 27 March 2028 ⁽²⁾	
48,000	–	–	N/A	48,000	–	N/A	Refer to note ⁽¹⁾				
Total number held by Associates	19 June 2020	0.96	620,000	–	–	N/A	–	620,000	0.037%	Refer to note ⁽²⁾	0.92
	11 December 2020	1.01	310,000	–	–	N/A	–	310,000	0.019%	Refer to note ⁽²⁾	1.00
Total number held by Employees of the Group	29 September 2014	3.58	12,500,000	–	–	N/A	–	12,500,000	0.749%	29 September 2014 to 28 September 2024 ⁽²⁾	3.49
	7 October 2015	3.75	9,800,000	–	–	N/A	–	9,800,000	0.588%	7 October 2015 to 6 October 2025 ⁽²⁾	3.66
	27 March 2018	4.54	4,000,000	–	–	N/A	–	4,000,000	0.240%	27 March 2018 to 27 March 2028 ⁽²⁾	4.12
	28 May 2018	5.122	3,600,000	–	–	N/A	–	3,600,000	0.216%	28 May 2018 to 27 May 2028 ⁽²⁾	4.92
	23 May 2019	3.75	29,800,000	–	–	N/A	1,510,000	28,290,000	1.696%	23 May 2019 to 22 May 2029 ⁽²⁾	1.94
	19 June 2020	0.96	12,147,167	–	–	N/A	797,667	11,349,500	0.680%	Refer to note ⁽²⁾	0.92
	11 December 2020	1.01	3,992,000	–	–	N/A	310,000	3,682,000	0.221%	Refer to note ⁽²⁾	1.00
16 June 2022	1.042	–	675,000	–	N/A	–	675,000	0.040%	Refer to note ⁽²⁾	1.03	

Notes:

- (1) The percentage is calculated based on the total number of 1,668,031,166 shares in issue as at 30 June 2022.
- (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 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.
- (6) 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.
- (7) 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.
- (8) Among the 24,271,500 share options, the vesting schedule and exercise period are as follows:
- (i) 93,333 share options will be vested on 28 August 2020 and exercisable until 27 August 2027;
 - (ii) 93,333 share options will be vested on 28 August 2021 and exercisable until 27 August 2027;
 - (iii) 93,334 share options will be vested on 28 August 2022 and exercisable until 27 August 2027;
 - (iv) 2,126,400 share options will be vested on 27 September 2020 and exercisable until 27 March 2028;
 - (v) 3,189,600 share options will be vested on 27 September 2021 and exercisable until 27 March 2028;
 - (vi) 5,268,000 share options will be vested on 27 September 2022 and exercisable until 27 March 2028;
 - (vii) 192,000 share options will be vested on 28 May 2021 and exercisable until 27 May 2028;
 - (viii) 288,000 share options will be vested on 28 May 2022 and exercisable until 27 May 2028;
 - (ix) 450,000 share options will be vested on 28 May 2023 and exercisable until 27 May 2028;
 - (x) 2,495,500 share options will be vested on 23 May 2022 and exercisable until 22 May 2029;
 - (xi) 3,743,250 share options will be vested on 23 May 2023 and exercisable until 22 May 2029; and
 - (xii) 6,238,750 share options will be vested on 23 May 2024 and exercisable until 22 May 2029.

Management Discussion and Analysis

- (9) 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.
- (10) The share options are exercisable within a period of 10 years from 16 June 2022 and subject to the following vesting schedule and performance review:
- (i) 20% of the share options vested on 16 June 2025;
 - (ii) another 30% of the share options vested on 16 June 2026; and
 - (iii) the remaining share options vested on 16 June 2027.
- (11) Mr. Iain Ferguson Bruce, a former independent non-executive Director, retired and ceased to be a Director upon the conclusion of the annual general meeting held on 23 May 2022 (the “**date of cessation**”). Accordingly, under the terms of the 2010 Share Option Scheme and the 2020 Share Option Scheme, the share options granted to him by the Company and vested before his retirement would automatically lapse and become not exercisable if not exercised within three months from the date of cessation. Share options granted to him by the Company but not yet vested before his retirement, had automatically lapsed and become not exercisable immediately from the date of cessation.

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 2022.

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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 2022 (six months ended 30 June 2021: 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

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).

Other Information

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.

The term loan facility under this April 2021 Facility Agreement was fully utilised in 23 September 2021. As at 30 June 2022, US\$165,000,000 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 2022, the Company did not have other disclosure obligations under Rule 13.18 of the Listing Rules.

Director’s Securities Transactions

The Company 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. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the Period. The Company has also established a code of conduct no less exacting than the Model Code (the “**Employees Code of Conduct**”) for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Code of Conduct by the employees was noted by the Company.

Audit Committee

As at the date of this report, the audit committee of the Company (“**Audit Committee**”) consists of three independent non-executive Directors, namely Ms. Chiang Yu, Mr. Shi Xiaoguang and Mr. So Tak Young, and Ms. Chiang Yun is the chairlady of the Audit Committee. 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.

Arrangements to Purchase Shares or Debentures

Other than the Share Option Schemes as set out in note 21 to the interim condensed consolidated financial statements, at no time during the Period was the Company, its holding companies or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate.

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

As at 30 June 2022, the interests or short positions of the Directors or chief executives of the Company then in office 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. 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%

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 Jingqiu	2,207,000
Mr. Ho Kwok Yin, Eric	1,096,000
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.
- (6) Mr. Iain Ferguson Bruce, a former independent non-executive Director, retired and ceased to be a Director upon the conclusion of the annual general meeting held on 23 May 2022 (the “date of cessation”). Accordingly, under the terms of the 2010 Share Option Scheme and the 2020 Share Option Scheme, the share options granted to him by the Company and vested before his retirement would automatically lapse and become not exercisable if not exercised within three months from the date of cessation. Share options granted to him by the Company but not yet vested before his retirement, had automatically lapsed and become not exercisable immediately from the date of cessation. Please refer to section headed “Employees and Remuneration Policy” above for further details.

Other Information

Save as disclosed above, as at 30 June 2022, 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 2022, 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	115,622,000 (L)	6.93%
Pandanus Associates Inc.	Investment Manager	115,622,000 (L)	6.93%
Pandanus Partners L.P.	Investment Manager	115,622,000 (L)	6.93%
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 53.44% by Cayey Enterprises Limited, which in turn is, as at 31 December 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 2022, 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.

Save as disclosed above, no material events affecting the Company or its subsidiaries has occurred subsequent to 30 June 2022.

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 2021 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:

- Ms. Chiang Yun, an existing independent non-executive Director, has been appointed as the chairlady of each of the audit committee, remuneration committee and nomination committee of the Company with effect from 23 May 2022;
- Ms. Chiang Yun's director's remuneration had been increased from US\$40,000 per annum to US\$60,000 per annum, with effect from 23 May 2022; and
- Mr. Ho Kwok Yin, Eric's director remuneration had been changed to US\$30,000, with effect from 1 January 2022.

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 2021 annual report of the Company.

For and on behalf of the Board of Directors

Song Zhenghuan

Chairman

22 August 2022



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

Report on Review of Interim Condensed Consolidated Financial Information



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To the Board of Directors of Goodbaby International Holdings Limited

(Incorporated 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 2022 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
22 August 2022

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2022

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

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022

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

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	30 June 2022	31 December 2021
		(Unaudited)	(Audited)
		(HK\$'000)	
NON-CURRENT ASSETS			
Property, plant and equipment	11	965,247	1,031,631
Right-of-use assets	12	308,013	336,549
Goodwill	13	2,714,132	2,812,866
Other intangible assets	14	2,169,381	2,281,555
Investments in joint ventures		12,023	6,513
Investment in an associate		4,677	–
Deferred tax assets		66,855	85,109
Pledged deposits	23	1,149,196	1,152,021
Other long-term assets		10,268	11,294
Total non-current assets		7,399,792	7,717,538
CURRENT ASSETS			
Inventories	15	2,090,904	2,402,801
Trade and notes receivables	16	1,231,411	1,247,410
Prepayments and other receivables		714,367	641,951
Due from related parties	28	636	6,775
Financial assets at fair value through profit or loss	22	75,216	17,824
Cash and cash equivalents	23	776,711	1,087,413
Pledged deposits	23	12,084	9,454
Derivative financial instruments	19	13,149	40,546
Total current assets		4,914,478	5,454,174
CURRENT LIABILITIES			
Trade and bills payables	17	1,200,715	1,636,633
Other payables and accruals		817,339	905,027
Income tax payable		40,455	39,483
Provision		58,413	99,003
Interest-bearing bank loans and other borrowings	18	1,333,875	1,223,104
Lease liabilities	12	97,547	98,979
Derivative financial instruments	19	10,057	4,260
Due to related parties	28	2,197	604
Defined benefit plan liabilities		339	337
Total current liabilities		3,560,937	4,007,430
NET CURRENT ASSETS		1,353,541	1,446,744
TOTAL ASSETS LESS CURRENT LIABILITIES		8,753,333	9,164,282

Interim Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2022

	Notes	30 June 2022	31 December 2021
		(Unaudited)	(Audited)
(HK\$'000)			
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	18	2,285,303	2,294,380
Provision		54,796	53,870
Defined benefit plan liabilities		3,450	3,534
Other liabilities		2,386	2,129
Lease liabilities	12	177,340	201,925
Deferred tax liabilities		432,355	510,940
Total non-current liabilities		2,955,630	3,066,778
Net assets		5,797,703	6,097,504
EQUITY			
Equity attributable to owners of the parent			
Share capital	20	16,680	16,680
Reserves		5,742,489	6,044,271
		5,759,169	6,060,951
Non-controlling interests		38,534	36,553
Total equity		5,797,703	6,097,504

SONG Zhenghuan
Director

LIU Tongyou
Director

Interim Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2022

	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 31 December 2021 and 1 January 2022	16,680	3,320,411	192,403	237,652	287,726	5,474	153,975	(8,256)	11,394	1,843,492	6,060,951	36,553	6,097,504
Profit for the period	-	-	-	-	-	-	-	-	-	(1,443)	(1,443)	3,864	2,421
Other comprehensive loss for the period:													
Remeasurement effects of defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash flow hedges, net of tax	-	-	-	-	-	-	-	-	(5,280)	-	(5,280)	-	(5,280)
Exchange differences on translation	-	-	-	-	(306,666)	-	-	-	-	-	(306,666)	(1,883)	(308,549)
Total comprehensive loss for the period	-	-	-	-	(306,666)	-	-	-	(5,280)	(1,443)	(313,389)	1,981	(311,408)
Equity-settled share option arrangements	-	-	11,607	-	-	-	-	-	-	-	11,607	-	11,607
At 30 June 2022 (unaudited)	16,680	3,320,411	204,010	237,652	(18,940)	5,474	153,975	(8,256)	6,114	1,842,049	5,759,169	38,534	5,797,703

	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
Total comprehensive income for the period	-	-	-	-	61,055	295	-	-	23,184	101,071	185,605	416	186,021
Equity-settled share option arrangements	-	-	20,035	-	-	-	-	-	-	-	20,035	-	20,035
At 30 June 2021 (unaudited)	16,680	3,320,401	176,900	218,797	206,417	5,280	153,975	(8,256)	25,289	1,839,601	5,955,084	32,541	5,987,625

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	(Unaudited) (HK\$'000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(13,192)	120,807
Adjustments for:		
Finance costs	52,783	45,625
Share of losses of joint ventures	2,085	1,138
Share of loss of an associate	–	6
Interest income	(22,876)	(16,047)
Gain on disposal of items of property, plant and equipment	(23,543)	(2,740)
Loss on disposal of Intangible assets	51	–
Fair value gains, net:		
Cash flow hedges (transfer from equity)	–	(512)
Derivative instruments – transactions not qualifying as hedges	(1,747)	–
Revision of a lease term arising from a change in the non-cancellable period of a lease	(927)	–
Gain on wealth investment products	(169)	(677)
COVID-19-related rent concessions from lessors	–	(74)
Depreciation and amortization	246,484	245,116
Provision/(reversal) of inventories	4,346	(4,912)
Provision for impairment of receivables	2,871	1,586
Equity-settled share option expenses	11,607	20,035
	257,773	409,351
Decrease/(increase) in inventories	307,551	(21,507)
Decrease/(increase) in trade and notes receivables	13,128	(145,571)
Increase in prepayments and other receivables	(125,406)	(109,296)
Decrease/(increase) in amounts due from related parties	6,139	(860)
Increase in pledged deposits	–	(23)
Decrease/(increase) in derivative financial instruments	33,194	(31,499)
Decrease in other long-term assets	1,026	1,647
Decrease in trade and bills payables	(435,918)	(26,778)
Decrease in other payables and accruals	(94,687)	(17,329)
(Decrease)/increase in provision	(39,664)	1,967
Increase/(decrease) in amounts due to related parties	1,593	(2,747)
Decrease in defined benefit plan liabilities	(82)	(125)
Increase in other liabilities	257	400
Cash (used in)/generated from operations	(75,096)	57,630
Income tax refund	1,298	19,792
Income tax paid	(21,168)	(35,239)
Net cash flows (used in)/generated from operating activities	(94,966)	42,183

Interim Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2022

	Note	Six months ended 30 June	
		2022	2021
		(Unaudited) (HK\$'000)	
CONDENSE CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		9,498	16,047
Gain on wealth investment products received		169	677
Purchase of items of property, plant and equipment		(136,084)	(128,055)
Additions to other intangible assets		(27,415)	(20,142)
Proceeds from disposal of property, plant and equipment		32,419	4,883
Invest in an associate		(4,677)	–
Increase in investment in joint ventures		(7,753)	–
Purchase of wealth management products		(58,466)	–
Net cash flows used in investing activities		(192,309)	(126,590)
CONDENSE CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		787,087	1,359,080
Repayment of borrowings		(685,392)	(1,221,781)
Interest paid		(47,316)	(51,671)
Principal portion of lease payments		(61,405)	(74,797)
Decrease/(increase) in pledged deposits		13,573	(234,961)
Net cash flows generated from/(used in) financing activities		6,547	(224,130)
CONDENSE NET DECREASE IN CASH AND CASH EQUIVALENTS		(280,728)	(308,537)
Cash and cash equivalents at beginning of period		1,087,413	1,693,152
Effect of foreign exchange rate changes, net		(29,974)	4,195
CONDENSE CASH AND CASH EQUIVALENTS AT END OF PERIOD	23	776,711	1,388,810

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

1. Corporate Information

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

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

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

2.1 Basis of Preparation

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

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

2.2 Changes in Accounting Policies and Disclosures

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

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

2.2 Changes in Accounting Policies and Disclosures (Continued)

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

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

2.2 Changes in Accounting Policies and Disclosures (Continued)

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

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

3. Operating Segment Information

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

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

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

3. Operating Segment Information (Continued)

Six months ended 30 June 2022

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

Six months ended 30 June 2021

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

3. Operating Segment Information (Continued)

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

	30 June 2022	31 December 2021
	(HK\$'000)	
	(Unaudited)	(Audited)
Mainland China	5,295,420	5,536,212
North America	1,006,573	989,234
Europe	1,003,976	1,089,176
	7,305,969	7,614,622

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

Information about a major customer

During the six months ended 30 June 2022, revenue from sales to a major customer of third party accounting for 10% or more of the total net sales of the Group is HK\$553,220,000 (during the six months ended 30 June 2021: HK\$501,960,000).

4. Revenue, Other Income and Gains

An analysis of revenue is as follows:

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

Revenue from contracts with customers

Disaggregated revenue information

For the six months ended 30 June 2022

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

4. Revenue, Other Income and Gains (Continued)

Revenue from contracts with customers (continued)

Disaggregated revenue information (continued)

For the six months ended 30 June 2021

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

Other income and gains

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

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

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

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

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

5. Finance Income

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

6. Finance Costs

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

7. (Loss)/Profit Before Tax

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

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

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

8. Income Tax

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

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

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

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

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

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

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

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

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

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

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

9. Dividends

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

10. (Loss)/Earnings Per Share

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

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

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

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

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

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

11. Property, Plant and Equipment

30 June 2022

	Buildings and land	Plant and machinery	Motor vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
	(HK\$'000)						
	(Unaudited)						
At 31 December 2021 and at 1 January 2022:							
Cost	647,267	1,303,059	25,086	375,930	327,761	87,358	2,766,461
Accumulated depreciation and impairment	(427,570)	(871,929)	(18,283)	(251,897)	(165,151)	–	(1,734,830)
Net carrying amount	219,697	431,130	6,803	124,033	162,610	87,358	1,031,631
At 1 January 2022, net of accumulated depreciation	219,697	431,130	6,803	124,033	162,610	87,358	1,031,631
Additions	1,990	15,707	56	19,892	34,738	63,701	136,084
Disposals	(8,073)	(402)	–	(401)	–	–	(8,876)
Depreciation provided during the period	(19,867)	(63,441)	(1,279)	(29,805)	(34,356)	–	(148,748)
Transfers	4,543	26,262	–	9,510	10,439	(50,754)	–
Exchange realignment	(6,309)	(17,754)	(179)	(6,355)	(9,676)	(4,571)	(44,844)
At 30 June 2022, net of accumulated depreciation and impairment	191,981	391,502	5,401	116,874	163,755	95,734	965,247
At 30 June 2022:							
Cost	612,915	1,289,554	23,936	385,414	353,466	95,734	2,761,019
Accumulated depreciation and impairment	(420,934)	(898,052)	(18,535)	(268,540)	(189,711)	–	(1,795,772)
Net carrying amount	191,981	391,502	5,401	116,874	163,755	95,734	965,247

11. Property, Plant and Equipment (Continued)**31 December 2021**

	Buildings and land	Plant and machinery	Motor vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
	(HK\$'000)						
	(Audited)						
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	(379,271)	(822,313)	(15,890)	(434,318)	(141,872)	–	(1,793,664)
Net carrying amount	249,624	443,277	7,855	111,613	159,627	61,489	1,033,485
At 1 January 2021, net of accumulated depreciation	249,624	443,277	7,855	111,613	159,627	61,489	1,033,485
Additions	2,908	45,482	486	64,597	74,100	126,933	314,506
Disposals	(167)	(3,701)	(53)	(2,337)	(2,822)	(130)	(9,210)
Depreciation provided during the period	(39,721)	(136,435)	(2,649)	(59,402)	(66,379)	–	(304,586)
Transfers	4,461	82,919	931	13,146	750	(102,207)	–
Exchange realignment	2,592	(412)	233	(3,584)	(2,666)	1,273	(2,564)
At 31 December 2021, net of accumulated depreciation and impairment	219,697	431,130	6,803	124,033	162,610	87,358	1,031,631
At 31 December 2021:							
Cost	647,267	1,303,059	25,086	375,930	327,761	87,358	2,766,461
Accumulated depreciation and impairment	(427,570)	(871,929)	(18,283)	(251,897)	(165,151)	–	(1,734,830)
Net carrying amount	219,697	431,130	6,803	124,033	162,610	87,358	1,031,631

At 30 June 2022, certain of the Group's plant and machinery with a net carrying amount of approximately HK\$3,137,000 (31 December 2021: HK\$5,834,000) 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 2022

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 movements during the period/year are as follows:

30 June 2022

	Prepaid land lease	Buildings	Plant and machinery	Motor vehicles	Furniture and fixtures	Total
	(HK\$'000)					
	(Unaudited)					
As at 1 January 2022	47,752	268,235	2,373	15,934	2,255	336,549
Additions	–	45,641	128	6,344	268	52,381
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(750)	–	–	–	(750)
Depreciation charge	(814)	(56,470)	(616)	(4,849)	(304)	(63,053)
Exchange realignment	(2,306)	(13,375)	13	(1,281)	(165)	(17,114)
As at 30 June 2022	44,632	243,281	1,898	16,148	2,054	308,013

31 December 2021

	Prepaid land lease	Buildings	Plant and machinery	Motor vehicles	Furniture and fixtures	Total
	(HK\$'000)					
	(Audited)					
As at 1 January 2021	48,514	189,641	1,741	16,690	258	256,844
Additions	–	194,741	2,249	10,647	6,071	213,708
Depreciation charge	(1,624)	(113,093)	(1,630)	(10,131)	(3,965)	(130,443)
Exchange realignment	862	(3,054)	13	(1,272)	(109)	(3,560)
As at 31 December 2021	47,752	268,235	2,373	15,934	2,255	336,549

12. Leases (Continued)

(b) Lease liabilities

	As at 30 June 2022	As at 31 December 2021
	(HK\$'000)	
	(Unaudited)	(Audited)
Current	97,547	98,979
Non-current	177,340	201,925
Carrying amount at period/year end	274,887	300,904

13. Goodwill

	(HK\$'000)
Cost and net carrying amount at 1 January 2021 (Audited)	2,763,595
Exchange realignment	49,271
Cost and net carrying amount at 31 December 2021 and 1 January 2022 (Audited)	2,812,866
Exchange realignment	(98,734)
Cost and net carrying amount at 30 June 2022 (Unaudited)	2,714,132

14. Other Intangible Assets

30 June 2022

	Trademarks	Computer software	Non-compete agreement	Customer relationship	Patents	Total
	(HK\$'000)					
	(Unaudited)					
At 31 December 2021 and at 1 January 2022:						
Cost	1,816,735	137,532	7,297	590,187	77,956	2,629,707
Accumulated amortisation	(36,676)	(70,505)	(7,221)	(192,952)	(40,798)	(348,152)
Net carrying amount	1,780,059	67,027	76	397,235	37,158	2,281,555
At 1 January 2022, net of accumulated amortisation	1,780,059	67,027	76	397,235	37,158	2,281,555
Additions	148	25,631	–	305	2,863	28,947
Disposals	–	(51)	–	–	–	(51)
Amortisation provided during the period	(1,304)	(11,385)	–	(19,496)	(2,498)	(34,683)
Exchange realignment	(80,670)	(6,870)	(3)	(16,552)	(2,292)	(106,387)
At 30 June 2022, net of accumulated depreciation	1,698,233	74,352	73	361,492	35,231	2,169,381
At 30 June 2022:						
Cost	1,734,160	151,520	6,803	565,229	76,881	2,534,593
Accumulated amortisation	(35,927)	(77,168)	(6,730)	(203,737)	(41,650)	(365,212)
Net carrying amount	1,698,233	74,352	73	361,492	35,231	2,169,381

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

14. Other Intangible Assets (Continued)

31 December 2021

	Trademarks	Computer software	Non-compete agreement	Customer relationship	Patents	Total
	(HK\$'000)					
	(Audited)					
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)
Net carrying amount	1,769,554	56,053	75	421,316	40,138	2,287,136
At 1 January 2021, net of accumulated amortisation	1,769,554	56,053	75	421,316	40,138	2,287,136
Additions	698	36,648	–	8,713	2,977	49,036
Disposals	–	(200)	–	–	–	(200)
Amortisation provided during the year	(2,979)	(18,281)	–	(39,507)	(4,552)	(65,319)
Exchange realignment	12,786	(7,193)	1	6,713	(1,405)	10,902
At 31 December 2021, net of accumulated depreciation	1,780,059	67,027	76	397,235	37,158	2,281,555
At 31 December 2021:						
Cost	1,816,735	137,532	7,297	590,187	77,956	2,629,707
Accumulated amortisation	(36,676)	(70,505)	(7,221)	(192,952)	(40,798)	(348,152)
Net carrying amount	1,780,059	67,027	76	397,235	37,158	2,281,555

15. Inventories

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

16. Trade and Notes Receivables

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

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

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

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

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

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

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

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

Note (b): As at 30 June 2022, certain of the Group's bank loans are secured by:

- (i) standby letters of credit and letters of guarantee from certain banks issued by a subsidiary of the Group;
- (ii) the guarantee from the Company;
- (iii) certain machinery amounting to HK\$3,137,000 (31 December 2021: HK\$5,834,000);
- (iv) the pledge of certain of the Group's time deposits amounting to HK\$315,718,000 (31 December 2021: HK\$330,316,000).

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

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

19. Derivative Financial Instruments

	As at 30 June 2022	
	Assets	Liabilities
	(HK\$'000)	
	(Unaudited)	
Forward currency contracts		
– designated as hedging instruments	13,149	10,057

	As at 31 December 2021	
	Assets	Liabilities
	(HK\$'000)	
	(Audited)	
Forward currency contracts		
– designated as hedging instruments	40,546	4,260

20. Share Capital

	Number of shares in issue	Share capital
	('000)	(HK\$'000)
	Issued and fully paid:	
At 1 January 2022 and 30 June 2022	1,668,031	16,680

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 2021 (the "2020 Share Option Scheme").

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

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 2022:

	Weighted average exercise price	Number of options
	HK\$ per share	('000)
At 1 January 2021	3.984	109,080
Forfeited during the year	3.750	(2,400)
At 31 December 2021 and 1 January 2022	3.989	106,680
Forfeited during the period	3.750	(1,510)
At 30 June 2022	3.993	105,170

No share options were exercised or cancelled during the period ended 30 June 2022.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

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 2022

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
3,267	3.75	7 October 2018 to 6 October 2025
3,267	3.75	7 October 2019 to 6 October 2025
3,267	3.75	7 October 2020 to 6 October 2025
6,300	4.54	27 September 2020 to 27 March 2028
9,450	4.54	27 September 2021 to 27 March 2028
15,750	4.54	27 September 2022 to 27 March 2028
720	5.122	28 May 2021 to 27 May 2028
1,080	5.122	28 May 2022 to 27 May 2028
1,800	5.122	28 May 2023 to 27 May 2028
7,310	3.75	23 May 2022 to 22 May 2029
10,455	3.75	23 May 2023 to 22 May 2029
17,425	3.75	23 May 2024 to 22 May 2029
105,170		

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 (continued):

31 December 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
3,267	3.75	7 October 2018 to 6 October 2025
3,267	3.75	7 October 2019 to 6 October 2025
3,267	3.75	7 October 2020 to 6 October 2025
6,300	4.54	27 September 2020 to 27 March 2028
9,450	4.54	27 September 2021 to 27 March 2028
15,750	4.54	27 September 2022 to 27 March 2028
720	5.122	28 May 2021 to 27 May 2028
1,080	5.122	28 May 2022 to 27 May 2028
1,800	5.122	28 May 2023 to 27 May 2028
7,340	3.75	23 May 2022 to 22 May 2029
11,010	3.75	23 May 2023 to 22 May 2029
18,350	3.75	23 May 2024 to 22 May 2029
106,680		

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

21. Share Option Scheme (Continued)

(b) 2020 Share Option Scheme

The following share options were outstanding under the 2020 Share Option Scheme during the six months ended 30 June 2022:

	Weighted average exercise price	Number of options
	HK\$ per share	'000
At 1 January 2021	0.969	31,627
Granted and accepted during the year	0.988	(2,200)
Exercised during the year	0.960	(8)
At 31 December 2021 and 1 January 2022	0.966	29,419
Granted and accepted during the period	1.042	675
Forfeited during the period	0.973	(1,155)
At 30 June 2022	0.944	28,939

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

30 June 2022

Number of options	Exercise price	Exercise period
'000	HK\$ per share	
93	0.96	28 August 2020 to 27 August 2027
93	0.96	28 August 2021 to 27 August 2027
93	0.96	28 August 2022 to 27 August 2027
2,127	0.96	27 September 2020 to 27 March 2028
3,190	0.96	27 September 2021 to 27 March 2028
5,268	0.96	27 September 2022 to 27 March 2028
192	0.96	28 May 2021 to 27 May 2028
288	0.96	28 May 2022 to 27 May 2028
450	0.96	28 May 2023 to 27 May 2028
2,496	0.96	23 May 2022 to 22 May 2029
3,743	0.96	23 May 2023 to 22 May 2029
6,239	0.96	23 May 2024 to 22 May 2029
798	1.01	11 December 2023 to 10 December 2030
1,198	1.01	11 December 2024 to 10 December 2030
1,996	1.01	11 December 2025 to 10 December 2030
135	1.042	16 June 2025 to 15 June 2032
202	1.042	16 June 2026 to 15 June 2032
338	1.042	16 June 2027 to 15 June 2032
28,939		

21. Share Option Scheme (Continued)**(b) 2020 Share Option Scheme** (Continued)**31 December 2021**

Number of options	Exercise price	Exercise period
'000	HK\$ per share	
280	0.96	28 August 2020 to 27 August 2027
93	0.96	28 August 2021 to 27 August 2027
93	0.96	28 August 2022 to 27 August 2027
2,174	0.96	27 September 2020 to 27 March 2028
3,262	0.96	27 September 2021 to 27 March 2028
5,316	0.96	27 September 2022 to 27 March 2028
216	0.96	28 May 2021 to 27 May 2028
324	0.96	28 May 2022 to 27 May 2028
540	0.96	28 May 2023 to 27 May 2028
2,564	0.96	23 May 2022 to 22 May 2029
3,846	0.96	23 May 2023 to 22 May 2029
6,409	0.96	23 May 2024 to 22 May 2029
860	1.01	11 December 2023 to 10 December 2030
1,291	1.01	11 December 2024 to 10 December 2030
2,151	1.01	11 December 2025 to 10 December 2030
29,419		

The Group overall recognised a share option expense of HK\$11,607,000 during the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$20,035,000).

The fair value of the share options granted during the year ended 30 June 2022 was HK\$337,500, of which the Group recognised share option expenses of HK\$2,000.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

21. Share Option Scheme (Continued)

(b) 2020 Share Option Scheme (Continued)

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

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

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

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

No other feature of the options granted was incorporated into the measurement of fair value. At the end of the reporting period, the Company had 105,170,000 and 28,938,500 share options outstanding under the 2010 Share Option Scheme and 2020 Share Option Scheme, respectively. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 134,108,500 additional ordinary shares of the Company and additional share capital of HK\$1,341,090 and share premium of HK\$445,920,700 (before issue expenses).

At the date of approval of these financial statements, the Company had 105,170,000 and 28,938,500 share options outstanding under the 2010 Share Option Scheme and 2020 Share Option Scheme respectively, which represented approximately 6.31% and 1.73% of the Company's shares in issue as at that date.

22. Financial Assets at Fair Value through Profit or Loss

	As at 30 June 2022	As at 31 December 2021
	(HK\$'000)	
	(Unaudited)	(Audited)
Call options over non-controlling interests with an expiration date within one year	9,851	10,606
Wealth investment products	65,365	7,218
	75,216	17,824

Financial assets at fair value through profit of loss represented the Wealth investment products placed with licensed financial institutions in Mainland China with maturity dates earlier than 30 June 2023.

23. Cash and Cash Equivalents

	As at 30 June 2022	As at 31 December 2021
	(HK\$'000)	
	(Unaudited)	(Audited)
Cash and bank balances	786,512	1,094,479
Time deposits	1,151,479	1,154,409
	1,937,991	2,248,888
Less: Pledged deposits:		
Pledged for long term bank loans	(315,718)	(330,316)
Pledged for standby letters of credit and letters of guarantee	(813,691)	(812,666)
Accrued interest of pledged deposits	(31,871)	(18,493)
Cash and cash equivalents	776,711	1,087,413

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.

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For the six months ended 30 June 2022

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 2022	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	(HK\$'000) (Unaudited)		
Trade and notes receivables	–	1,231,411	1,231,411
Financial assets included in prepayments and other receivables	–	542,782	542,782
Financial assets at fair value through profit and loss	75,216	–	75,216
Due from related parties	–	636	636
Derivative financial instruments	13,149	–	13,149
Other long-term assets	–	10,268	10,268
Pledged bank deposits	–	1,161,280	1,161,280
Cash and cash equivalents	–	776,711	776,711
	88,365	3,723,088	3,811,453

As at 31 December 2021	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	(HK\$'000) (Audited)		
Trade and notes receivables	–	1,247,410	1,247,410
Financial assets included in prepayments and other receivables	–	499,993	499,993
Financial assets at fair value through profit and loss	17,824	–	17,824
Due from related parties	–	6,775	6,775
Derivative financial instruments	40,546	–	40,546
Other long-term assets	–	11,294	11,294
Pledged bank deposits	–	1,161,475	1,161,475
Cash and cash equivalents	–	1,087,413	1,087,413
	58,370	4,014,360	4,072,730

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

As at 30 June 2022	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	–	211,673	211,673
Trade and bills payables	–	1,200,715	1,200,715
Interest-bearing bank loans and other borrowings	–	3,619,178	3,619,178
Derivative financial instruments	10,057	–	10,057
Due to related parties	–	2,197	2,197
	10,057	5,033,763	5,043,820

As at 31 December 2021	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	–	245,568	245,568
Trade and bills payables	–	1,636,633	1,636,633
Interest-bearing bank loans and other borrowings	–	3,517,484	3,517,484
Derivative financial instruments	4,260	–	4,260
Due to related parties	–	604	604
	4,260	5,400,289	5,404,549

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For the six months ended 30 June 2022

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 2022	31 December 2021	30 June 2022	31 December 2021
	(HK\$'000)			
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Financial assets				
Derivative financial instruments	13,149	40,546	13,149	40,546
Financial assets at fair value through profit or loss – call options over non-controlling interests	9,851	10,606	9,851	10,606
Financial assets at fair value through profit or loss – wealth investment products	65,365	7,218	65,365	7,218
	88,365	58,370	88,365	58,370

	Carrying Amounts		Fair Values	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
	(HK\$'000)			
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Financial liabilities				
Derivative financial instruments	10,057	4,260	10,057	4,260
Interest-bearing bank loans and other borrowing (other than lease liabilities)	3,619,178	3,517,484	3,538,487	3,509,513
	3,629,235	3,521,744	3,548,544	3,513,773

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 2022, 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.

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For the six months ended 30 June 2022

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 2022

	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)			
Financial assets at fair value through profit or loss – wealth investment products	–	65,365	–	65,365
Financial assets at fair value through profit or loss – call options over non-controlling interests	–	–	9,851	9,851
Derivative financial instruments	–	13,149	–	13,149
	–	78,514	9,851	88,365

As at 31 December 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)			
	(Audited)			
Financial assets at fair value through profit or loss – wealth investment products	–	7,218	–	7,218
Financial assets at fair value through profit or loss – call options over non-controlling interests	–	–	10,606	10,606
Derivative financial instruments	–	40,546	–	40,546
	–	47,764	10,606	58,370

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

	Six months ended 30 June	
	2022	2021
	(HK\$'000)	
	(Unaudited)	
At 1 January	10,606	1,716
Exchange realignment	(755)	(54)
At 30 June	9,851	1,662

25. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)**Fair value hierarchy (continued)**

Liabilities measured at fair value:

As at 30 June 2022

	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	–	10,057	–	10,057
Interest-bearing bank loans and other borrowings (other than lease liabilities)	–	3,538,487	–	3,538,487
	–	3,548,544	–	3,548,544

As at 31 December 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)			
	(Audited)			
Derivative financial instruments	–	4,260	–	4,260
Interest-bearing bank loans and other borrowings (other than lease liabilities)	–	3,509,513	–	3,509,513
	–	3,513,773	–	3,513,773

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2021: Nil).

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For the six months ended 30 June 2022

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 2022 and 31 December 2021:

	30 June 2022	31 December 2021
	(HK\$'000)	
	(Unaudited)	(Audited)
Contracted but not provided for:		
Property plant and equipment	6,592	10,012
Capital contributions payable to an associate	4,677	9,787
	11,269	19,799

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	
	2022	2021
	(HK\$'000)	
	(Unaudited)	
Sales of goods to related parties (note (a))		
CAGB and its subsidiaries	793	5,860
Purchase of goods from related parties (note (a))		
GCQT	36	698
Service charge from a related party (note (b))		
GCQT	3,134	608
Rental expenses to a related party (note (b))		
GGPX	8,034	7,747

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 year ended 30 June 2022 was HK\$8,034,000. At 30 June 2022, the Group recognised right-of-use assets of HK\$48,895,000 and lease liabilities of HK\$48,895,000. 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 2022	As at 31 December 2021
	(HK\$'000)	
	(Unaudited)	(Audited)
Amounts due from related parties:		
GCQT	636	574
CAGB and its subsidiaries	–	6,201
	636	6,775
Right-of-use assets in relation to buildings recognised by the Group as a lessee to a related party		
GGPX	48,895	49,525
Lease liabilities due to a related party		
GGPX	48,895	49,525
Amounts due to related parties:		
GBMS	1,729	115
GCPT	468	489
	2,197	604

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

For the six months ended 30 June 2022

28. Related Party Transactions and Balances (Continued)

(d) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2022	2021
	(HK\$'000)	
	(Unaudited)	
Short term employee benefits	21,521	22,575
Equity-settled share option expense	7,556	18,489
Post-employment benefits	395	305
Total compensation paid to key management personnel	29,472	41,369

29. Events After the Reporting Period

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

30. Approval of the Financial Statements

The financial statements were approved and authorized for issue by the board of directors on 22 August 2022.

Goodbaby

International

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

