



2020 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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Corporate Information

Corporate Information

Directors

Executive Directors

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

Non-Executive Directors

Ms. Fu Jingqiu
Mr. Ho Kwok Yin, Eric

Independent Non-Executive Directors

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

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

Auditors

Ernst & Young
Certified Public Accountants
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Legal Advisor

As to Hong Kong law
Sidley Austin
39th Floor
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Hong Kong

Principal Share Registrar

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Hong Kong Branch Share Registrar

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Wan Chai
Hong Kong

Company Secretary

Ms. Ho Siu Pik

Authorized Representatives

Mr. Song Zhenghuan
Ms. Ho Siu Pik

Principal Banker

Bank of China, Kunshan Branch

Website

www.gbinternational.com.hk

Stock Code

1086

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Management Discussion and Analysis

Management Discussion and Analysis

Overview

The world is experiencing unprecedented challenges in 2020, in particular, the global outbreak of the coronavirus disease 2019 (“**COVID-19**”) has imposed significant uncertainties in the global political and economic environments. For the six months ended 30 June 2020 (the “**Period**”), our Group (“**Goodbaby International Holdings Limited, together with its subsidiaries**”) remained steadfast in its commitment to its long-term strategy while concurrently executing aggressive, proactive reform initiatives. As a result, our Group withstood the related challenges and continues to remain robust operationally and profitable with strong cashflow, successfully turning the crisis into opportunities.

A reflection of our Group accomplishments during the Period include:

1. Our balanced global footprint minimized risk in any one territory and was a catalyst for a strong competitive advantage resulting in increased market share;
2. Our owned China and US based production and regional supply chain/operations teams functioned as the backbone of our operations during the pandemic period, with minimal or no supply interruptions;
3. Amidst the moderate, temporary revenue decline, proactive operating expense (“**OPEX**”) control across all regions facilitated profitability;
4. Aggressive working capital management (particularly inventory efficiency) generated positive cash flow;
5. Each Strategic brand and Blue Chip business recorded profitability for the Period and have respectively recorded positive revenue momentum beginning in June.

Our revenue and operating profit for the Period was inevitably impacted by the global outbreak of COVID-19. Prior to the COVID-19 outbreak, our global commercial performance was generating very strong momentum. However, the outbreak and eventual global spread of COVID-19 has had a direct impact on both overall global markets and the Group’s business performance during the Period. Our revenue for the Period decreased by 16.1% to approximately HK\$3,718.1 million from approximately HK\$4,434.2 million for the corresponding period in 2019. During the Period, foreign exchange rate fluctuations impacted the overall revenue growth. On a constant currency basis, our revenue for the Period recorded a 13.1% decrease compared to the corresponding period in 2019. Our reported gross profit decreased by 19.3% to approximately HK\$1,545.8 million for the Period from approximately HK\$1,915.1 million for the corresponding period in 2019. Our reported operating profit decreased by 49.3% to approximately HK\$125.4 million from approximately HK\$247.2 million for the corresponding period in 2019 and on a non-GAAP basis, our operating profit decreased by 41.9% to approximately HK\$168.2 million for the Period from approximately HK\$289.7 million for the corresponding period in 2019.

During the Period, the Group’s core Strategic brands recorded a decrease of 16.4% in revenue (13.3% decrease on a constant currency basis) from the revenue of the corresponding period in 2019.

Summary of the Group's core Strategic brands revenue:

(HK\$ million)	For the six months ended 30 June				Change (%)	Change on a constant currency basis (%)
	2020		2019			
Group Total Revenue	\$3,718.1		\$4,434.2		-16.1%	-13.1%
	Amount	% of Revenue	Amount	% of Revenue	Change (%)	Change on a constant currency basis (%)
Core Strategic Brands Revenue	\$3,044.2	81.9%	\$3,642.6	82.1%	-16.4%	-13.3%
CYBEX	1,075.6	28.9%	1,238.7	27.9%	-13.2%	-10.0%
gb	1,132.3	30.5%	1,490.0	33.6%	-24.0%	-19.9%
Evenflo	836.3	22.5%	913.9	20.6%	-8.5%	-6.9%

Executive Summary

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

- CYBEX** brand recorded a decrease in revenue of 13.2% (10.0% decrease on a constant currency basis) in the Period to approximately HK\$1,075.6 million from approximately HK\$1,238.7 million for the corresponding period in 2019. The overall revenue decline was directly attributed to economic shutdowns caused by the COVID-19 outbreak with an initial downturn experienced in APAC beginning in February through March and subsequently in EMEA and Americas during the last week of March, April and the first two weeks of May. CYBEX recorded a strong global performance in January and very strong recovery beginning the second half of May and continuing through June as regional economies gradually began to reopen. Such strong pre COVID-19 performance and subsequent strong recovery across all key markets were driven by CYBEX's strong brand position and product portfolio (both car seats and strollers), fortified global operations and supply chain and the launch of new products. CYBEX outperformed its direct competitors and continued to gain market share in all key geographic regions during the Period. CYBEX will continue with aggressive product development and expansion of global distribution, further driving its future growth and reinforcing its leading position as the premium "technical - lifestyle" brand globally. During the Period, CYBEX continued to receive multiple awards from independent European consumer testing organizations (e.g. ADAC) further attesting to the brand's commitment to safety, design and function.

Management Discussion and Analysis

- gb** brand recorded a decrease in revenue of 24.0% (19.9% decrease on a constant currency basis) in the Period to approximately HK\$1,132.3 million from approximately HK\$1,490.0 million for the corresponding period in 2019. In the key China market, gb brand recorded strong revenue performance prior to the outbreak of COVID-19. The overall revenue decline in the Period was directly attributed to the impact of COVID-19 on our offline retail and wholesale channels in China, which initially forced the temporary closure of retail stores beginning in late January and resulted in the slow recovery of traffic after we reopened our own retail stores in late March/early April. During the Period, however, we continued to modernize and enhance gb's brand image and we executed our rapid business transformation toward a digital, cloud/social media based online platform, which drove growth in our online sales. To drive sustainable growth and to strengthen its leading position in the industry, gb continued to dedicate resources to product development and innovation in the Period in both durable and non-durable products.
- Evenflo** brand performance was stable in the first quarter of 2020 and then was inevitably negatively impacted as the United States economy recorded its worst economic GDP retraction on record during the second quarter of 2020. The peak negative revenue impact due to COVID-19 was realized in April, with sequential positive monthly growth momentum achieved through June. With revenue performance better than expected during the Period, Evenflo recorded a decrease in revenue of 8.5% (6.9% decrease on a constant currency basis) in the Period to approximately HK\$836.3 million from approximately HK\$913.9 million for the corresponding period in 2019. This rapid recovery in revenue performance is mainly due to strong consumer reception to recent new product introductions, overall growth in online channels and national retailer stores remaining substantially open during the COVID-19 period. We believe that this revenue performance during the Period resulted in market share increase.

During the Period, our Blue Chip business recorded a decrease of 9.9% (7.4% decrease on a constant currency basis) to approximately HK\$463.9 million in the Period as compared to approximately HK\$514.7 million for the corresponding period in 2019. While our Blue Chip revenues were stable in January and February, March was significantly negatively impacted due to our China factory shutdown in February and customers started to partially delay orders from end of March to the second quarter, resulting in a net first quarter revenue decrease of nearly 30%. Offsetting the first quarter revenue decrease is a strong and rapid recovery in the second quarter resulting from the resumption of shipments from China production and the gradual recovery in our customers' global markets. Our Blue Chip business remains stable.

During the Period, the Group's revenue from other business units including the Group's tactical brands and retailer's private label business approximated HK\$210.0 million as compared to approximately HK\$276.9 million in the corresponding period of 2019. This approximate 24.2% decrease (20.8% decrease on a constant currency basis) was caused by the COVID-19 impact combined with continued portfolio rationalization.

Outlook

Notwithstanding the overall impact from COVID-19, we are very encouraged by our business development and the strength of our business platform. We remain very confident in our overall strategy and resuming our revenue growth as the world recovers from the COVID-19 situation. We will continue to execute our focused strategy in our core Strategic brands of CYBEX, gb and Evenflo and the development of our Blue Chip business.

Our core Strategic brands are celebrated by consumers across the globe. With a rapidly increasing fan base, we will continue to drive towards deeper engagement with all our fans by continuing to maintain and enhance our brand images, introduce new product innovations through relevant online and offline channels that delight our consumers. CYBEX will see its global revenue performance return to strong growth across all key geographic regions and gain market share driven by its current product portfolio, new revolutionary product launches, new category extensions, introduction of CYBEX brand flagship stores in key global cities, strengthened supply chain capabilities and expansion of national distribution platforms in new geographic territories. gb brand will continue its expansion of digital “Cloud Retail System” and “social media” based channels and its focus on product innovation, technologies and new product launches, which will establish the foundation for growth in revenue and profitability. We will continue to upgrade our new generation retail store concepts working in concert with our cloud retail system to provide deeper engagement with both consumers and wholesalers. We will also expand our distribution and brand footprint, through franchising, into lower tier cities in China. Evenflo will continue to drive sustainable growth and market share based on strong consumer reception to recent product launches; it will launch new, more profitable products and continue to fulfill new awards of business from major retailers as the brand is being

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

While encouraged by the Group performance during the Period, we are closely monitoring all markets for any lingering impact due to a COVID-19 resurgence, and accordingly, we remain vigilant and continue to implement proactive measures to ensure the ongoing viability of the Group performance.

The global environment remains very volatile and dynamic. Any significant resurgence of COVID-19 may influence Group commercial performance, but our strong global one-dragon model is the key foundational element to continue to achieve significant accomplishments in all environments.

Management Discussion and Analysis

Financial Review

Revenue

For the Period, the total revenue of the Group decreased by 16.1% to approximately HK\$3,718.1 million from approximately HK\$4,434.2 million for the corresponding period in 2019. During the Period, foreign exchange rate fluctuations impacted the overall revenue growth. On a constant currency basis, our revenue for the Period recorded a 13.1% decrease compared to the corresponding period in 2019.

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

(HK\$ million)	For the six months ended 30 June				Change (%)	Change on a constant currency basis (%)
	2020		2019			
	Revenue	% of revenue	Revenue	% of revenue		
Group's own brands and retailer private label businesses	3,254.2	87.5	3,919.5	88.4	-17.0%	-13.8%
– APAC	1,353.3	36.4	1,762.4	39.8	-23.2%	-19.1%
– EMEA	1,024.3	27.5	1,197.7	27.0	-14.5%	-11.6%
– Americas	876.6	23.6	959.4	21.6	-8.6%	-7.0%
Blue Chip business	463.9	12.5	514.7	11.6	-9.9%	-7.4%
Total	3,718.1	100.0	4,434.2	100.0	-16.1%	-13.1%

The 17.0% decline (13.8% decline on a constant currency basis) of the Group's own brands and retailer private label businesses was attributable to widespread adverse impact caused by the COVID-19 outbreak (for more information about performances by brand, please refer to Executive Summary of this Management Discussion and Analysis section).

- In region APAC, we recorded revenue from China market of approximately HK\$1,230.3 million in the Period against HK\$1,618.3 million in the corresponding period in 2019, a decrease of 24.0% (a decrease of 19.7% on a constant currency basis). The decrease in revenue was directly attributable to impact from COVID-19 on our offline retail and wholesale channels beginning in late January in China. The revenue from markets outside China decreased to HK\$123.0 million in the Period from approximately HK\$144.1 million in the corresponding period of 2019, which was mainly due to the decrease in revenue from our toy segment brand Rollplay due to its product portfolio optimization.
- In region EMEA, we recorded revenue of approximately HK\$1,024.3 million in the Period, a decrease of 14.5% (11.6% decrease on a constant currency basis) from approximately HK\$1,197.7 million in the corresponding period in 2019. The decline in region EMEA mainly attributable to store closures caused by the COVID-19 outbreak in Europe impacted our core Strategic brands CYBEX and gb during the last week of March, April and the first two weeks of May.
- In region Americas, we recorded revenue of approximately HK\$876.6 million in the Period, a decrease of 8.6% (7.0% decrease on a constant currency basis) from approximately HK\$959.4 million for the corresponding period in 2019. The decrease was mainly attributable to the decrease of our core Strategic brands Evenflo, CYBEX and gb, which were impacted by COVID-19 in April and May.

During the Period, our Blue Chip business recorded a decrease of 9.9% (7.4% decrease on a constant currency basis) to approximately HK\$463.9 million in the Period as compared to approximately HK\$514.7 million for the corresponding period in 2019. While our Blue Chip revenues were stable in January and February, March was significantly negatively impacted due to our China factory shutdown in February and customers started to partially delay orders from end of March to the second quarter, resulting in a net first quarter revenue decrease of nearly 30%. Offsetting the first quarter revenue decrease is a strong and rapid recovery in the second quarter resulting from the resumption of shipments from China production and the gradual recovery in our customers' global markets. Our Blue Chip business remains stable.

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales decreased by 13.8% to approximately HK\$2,172.3 million for the Period from approximately HK\$2,519.1 million for the corresponding period in 2019. Gross profit for the Group decreased to approximately HK\$1,545.8 million for the Period from approximately HK\$1,915.1 million for the corresponding period in 2019, and gross profit margin decreased to approximately 41.6% for the Period from approximately 43.2% for the corresponding period in 2019. The reduction in gross profit margin was mainly attributed to COVID-19 impact resulting in lower revenue, temporary unfavorable brand mix and consumers shifting towards online channels in China.

Other Income and Gains

Other income and gains of the Group increased by approximately HK\$42.3 million to approximately HK\$78.7 million for the Period, from approximately HK\$36.4 million for the corresponding period in 2019. The increase was mainly attributable to the increase in government grants.

Management Discussion and Analysis

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consist of marketing expenses, salaries and transportation costs. The selling and distribution costs approximated HK\$945.8 million for the Period, decreasing from approximately HK\$1,141.6 million for the corresponding period in 2019. The decrease was mainly attributable to:

- a) an approximately 25.2% decrease in marketing expenses to approximately HK\$180.1 million for the Period from approximately HK\$240.9 million for the corresponding period in 2019;
- b) the decrease in warehousing and transportation costs to approximately HK\$191.3 million for the Period from approximately HK\$232.4 million for the corresponding period in 2019, in line with the decline in revenue;
- c) decreased costs in personnel of approximately HK\$278.8 million for the Period, compared to approximately HK\$308.7 million in the corresponding period in 2019; and
- d) an approximately 33.7% decrease in online and offline store expense of approximately HK\$96.3 million for the Period, compared to approximately HK\$145.3 million for the corresponding period in 2019.

Administrative Expenses

The Group's administrative expenses primarily consist of salaries, research and development ("R&D") costs, professional service expenses, provision for the impairment of receivables and other office expenses. The administrative expenses decreased to approximately HK\$539.1 million for the Period from approximately HK\$550.5 million for the corresponding period in 2019. The decrease was mainly due to:

- a) the decrease in the R&D cost to approximately HK\$146.8 million for the Period from approximately HK\$163.6 million for the corresponding period in 2019, due to delays impacted by COVID-19;
- b) personnel costs decreased to approximately HK\$202.4 million for the Period from approximately HK\$212.3 million for the corresponding period in 2019, which was mainly attributable to savings in ongoing personnel costs, partially offset by severance and other related costs incurred to optimize the organization structure during the Period;
- c) stable in other administrative expenses.

Other Expenses

Other expenses of the Group increased to approximately HK\$14.2 million for the Period from approximately HK\$12.2 million for the corresponding period in 2019. Other expenses mainly consist of loss on disposal of property, plant and equipment and other losses.

Operating Profit

As a result of the foregoing, the Group's operating profit decreased by approximately 49.3%, or HK\$121.8 million, to approximately HK\$125.4 million for the Period from approximately HK\$247.2 million for the corresponding period in 2019.

Finance Income

For the Period, the Group's finance income increased by approximately HK\$8.3 million to approximately HK\$12.1 million for the Period from approximately HK\$3.8 million for the corresponding period of 2019. The Group's finance income mainly comprises interest income from bank deposits.

Finance Costs

For the Period, the Group's finance costs decreased by approximately HK\$4.7 million, or 6.4%, to approximately HK\$69.0 million for the Period from approximately HK\$73.7 million for the corresponding period in 2019. The decrease was mainly attributable to a lower interest rate.

Profit Before Tax

As a result of the foregoing, the profit before tax of the Group decreased by 61.5% to approximately HK\$68.2 million for the Period from approximately HK\$177.1 million for the corresponding period in 2019.

Income Tax

The Group's income tax expense was approximately HK\$13.9 million for the Period, decreased by approximately HK\$26.9 million from approximately HK\$40.8 million for the corresponding period in 2019. The decrease in income tax expense was aligned with the decrease of the profit before tax of the Group.

Profit for the Period

Net profit of the Group decreased by 60.2% to approximately HK\$54.3 million for the Period from approximately HK\$136.3 million for the corresponding period in 2019.

Non-GAAP Financial Measures

To supplement the consolidated results of the Group prepared in accordance with International Financial Reporting Standard (“IFRS”), certain non-GAAP financial measures, including non-GAAP operating profit, non-GAAP operating margin, non-GAAP profit before tax, non-GAAP profit for the period and non-GAAP net margin, are presented. The management of Goodbaby International Holdings Limited (the “Company”) believes that the non-GAAP financial measures provide investors with a more meaningful view on the Group's financial results, and with useful supplementary information to assess the performance of the Group's strategic operations by excluding certain non-cash items, certain impact of merger and acquisition transactions and certain one-off bad debt provision and operating loss. Nevertheless, the use of these non-GAAP financial measures has limitations as an analytical tool. These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, analysis of the Company's financial performance prepared in accordance with IFRS. In addition, these non-GAAP financial measures may be defined differently from similar terms used by other companies.

Management Discussion and Analysis

The following tables set forth the reconciliations of the Company's non-GAAP financial measures for the six months ended 30 June 2020 and 2019 to the nearest measures prepared in accordance with IFRS:

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

	For the six months ended 30 June 2019			
	As reported	Adjustments		Non-GAAP
		Equity-settled share option arrangements	Amortisation of intangible assets and inventory appreciation (a)	
(HK\$ million)				
Operating profit	247.2	20.8	21.7	289.7
Profit before tax	177.1	20.8	21.7	219.6
Profit for the period	136.3	20.8	16.2	173.3
Operating margin	5.6%			6.5%
Net margin	3.1%			3.9%

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

Working Capital and Financial Resources

	As at 30 June 2020	As at 31 December 2019
	(HK\$ million)	
Trade and notes receivables (including trade receivables due from related parties)	1,025.8	1,087.2
Trade and notes payables (including trade payables due to a related party)	1,069.3	1,324.4
Inventories	1,632.9	1,954.5

	For the six months ended 30 June 2020	For the year ended 31 December 2019
	(HK\$ million)	
Trade and notes receivables turnover days ⁽¹⁾	51	45
Trade and notes payables turnover days ⁽²⁾	99	100
Inventories turnover days ⁽³⁾	149	140

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

The decrease of trade and note receivables was mainly attributable to the decline of revenue. The increase of trade and notes receivables turnover days was a combined result of the decline of revenue during the Period and the comparatively high performance from business recovery near the end of the Period.

The decrease of trade and note payables was mainly attributable to less procurement near the end of the Period compared to the period near 2019 year end. The trade and notes payables turnover days remained stable.

The decrease of inventories was mainly attributable to less procurement near the end of the Period compared to the period near 2019 year end and the improvement on existing inventory level. The increase of inventory turnover days was a combined result of the decline of cost of sales during the Period and the comparatively high inventory level at the end of the Period due to business recovery.

Liquidity and Financial Resources

As at 30 June 2020, the Group's monetary assets, including cash and cash equivalents, pledged bank deposits and financial assets at fair value through profit or loss were approximately HK\$2,074.9 million (31 December 2019: approximately HK\$1,078.6 million).

As at 30 June 2020, the Group's interest-bearing bank loans and other borrowings were approximately HK\$3,603.4 million (31 December 2019: approximately HK\$2,753.7 million), including short-term bank loans and other borrowings of approximately HK\$2,037.6 million (31 December 2019: approximately HK\$892.2 million) and long-term bank loans and other borrowings with repayment terms of three years of approximately HK\$1,565.8 million (31 December 2019: approximately HK\$1,861.5 million).

As a result, as at 30 June 2020, the Group's net debt position was approximately HK\$1,528.5 million (31 December 2019: approximately HK\$1,675.1 million).

Contingent Liabilities

As at 30 June 2020, the Group had no material contingent liabilities (as at 31 December 2019: nil).

Management Discussion and Analysis

Exchange Rate Fluctuations

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

Pledge of Assets

As at 30 June 2020, bank deposits of approximately HK\$25.6 million (31 December 2019: HK\$24.0 million) were pledged for business operation. Certain machinery amounting to approximately HK\$12.9 million (31 December 2019: HK\$17.3 million) was pledged to secure bank loan granted to the Group.

Gearing Ratio

As at 30 June 2020, the Group’s gearing ratio (calculated by net debt divided by the sum of adjusted capital and net debt; the amount of net debt is calculated by the sum of trade and notes payables, other payables, advances from customers and accruals, lease liabilities and interest-bearing bank loans and other borrowings (current and non-current) less cash and cash equivalents; the amount of the adjusted capital is calculated by equity attributable to owners of the parent less hedging reserve) was approximately 41.2% (as at 31 December 2019: approximately 43.2%), or 42.7% after taking into consideration the impact of IFRS 16 (as at 31 December 2019: approximately 44.8%).

Employees and Remuneration Policy

As at 30 June 2020, the Group had a total of 9,670 full-time employees (31 December 2019: 11,180). For the Period, costs of employees, excluding directors’ emoluments, amounted to a total of approximately HK\$761.4 million (for the corresponding period of 2019: approximately HK\$865.3 million). The Group determined the remuneration packages of all employees with reference to individual performance and current market salary scale. The Group provides its employees in the 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 to award employees who may have an impactful contribution to the Group (the “**2010 Share Option Scheme**”). As the 2010 Share Option Scheme will expire 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.

On 19 June 2020, in order to effectively incentivize the existing grantees of the share options, the Company allowed grantees of share options granted on 28 August 2017, 27 March 2018, 28 May 2018 and 23 May 2019 to exchange their existing share options for new share options to be granted under the 2020 Share Option Scheme. For further details, please refer to the announcement of the Company dated 19 June 2020.

As at 31 December 2019, the outstanding share options were 211,280,000. On 19 June 2020, the Company proposed 47,321,000 share options, of which 26,084,500 were accepted and 21,236,500 were not accepted under the 2020 Share Option Scheme. Save as disclosed above, during the Period, 3,933,333 share options had lapsed, 96,650,000 share options had been cancelled and 0 share options had been exercised under the 2010 Share Options Scheme. As at 30 June 2020, 136,781,167 share options were outstanding.

Details of the share options granted under the 2010 Share Option Scheme during the year ended 31 December 2019 were as follows:

Name of Director	Date of grant	Exercise Price	Number of share options						Closing price of securities at the date of grant	
			Outstanding as at 1 January 2019	Granted during this year	Exercised during this year	Cancelled/Lapsed during this year	Outstanding as at 31 December 2019	Percentage of total issued share capital ⁽¹⁾		Exercise period
		(HK\$)							(HK\$)	
Mr. Song Zhenghuan	29 September 2014	3.58	1,390,000	-	-	-	1,390,000	0.083%	29 September 2014 to 28 September 2024 ⁽²⁾	3.40
Mr. Martin Pos	29 September 2014	3.58	2,400,000	-	-	-	2,400,000	0.144%	29 September 2014 to 28 September 2024 ⁽²⁾	3.40
	27 March 2018	4.54	35,000,000	-	-	-	35,000,000	2.098%	27 March 2018 to 27 March 2028 ⁽³⁾	4.54
Mr. Xia Xinyue	27 March 2018	4.54	20,000,000	-	-	-	20,000,000	1.199%	27 March 2018 to 27 March 2028 ⁽³⁾	4.54
Mr. Liu Tongyou	29 September 2014	3.58	2,400,000	-	-	-	2,400,000	0.144%	29 September 2014 to 28 September 2024 ⁽²⁾	3.40
	23 May 2019	3.75	-	12,600,000	-	-	12,600,000	0.755%	23 May 2019 to 22 May 2029 ⁽³⁾	1.87
Mr. Michael Nan Qu	29 September 2014	3.58	1,600,000	-	-	-	1,600,000	0.096%	29 September 2014 to 28 September 2024 ⁽²⁾	3.40
	23 May 2019	3.75	-	10,000,000	-	-	10,000,000	0.600%	23 May 2019 to 22 May 2029 ⁽³⁾	1.87
Ms. Fu Jingjiu	29 September 2014	3.58	1,390,000	-	-	-	1,390,000	0.083%	29 September 2014 to 28 September 2024 ⁽²⁾	3.40
	23 May 2019	3.75	-	1,300,000	-	-	1,300,000	0.078%	23 May 2019 to 22 May 2029 ⁽³⁾	1.87
Mr. Ho Kwok Yin, Eric	29 September 2014	3.58	1,000,000	-	-	-	1,000,000	0.060%	29 September 2014 to 28 September 2024 ⁽²⁾	3.40
	27 March 2018	4.54	400,000	-	-	-	400,000	0.024%	27 March 2018 to 27 March 2028 ⁽³⁾	4.54
Mr. Iain Ferguson Bruce	29 September 2014	3.58	800,000	-	-	-	800,000	0.048%	29 September 2014 to 28 September 2024 ⁽²⁾	3.40
	27 March 2018	4.54	400,000	-	-	-	400,000	0.024%	27 March 2018 to 27 March 2028 ⁽³⁾	4.54

Management Discussion and Analysis

Name of Director	Date of grant	Exercise Price	Number of share options						Closing price of securities at the date of grant	
			Outstanding as at 1 January 2019	Granted during this year	Exercised during this year	Cancelled/Lapsed during this year	Outstanding as at 31 December 2019	Percentage of total issued share capital ⁽¹⁾		Exercise period
		(HK\$)							(HK\$)	
Mr. Shi Xiaoguang	29 September 2014	3.58	800,000	-	-	-	800,000	0.048%	29 September 2014 to 28 September 2024 ⁽²⁾	3.40
	27 March 2018	4.54	400,000	-	-	-	400,000	0.024%	27 March 2018 to 27 March 2028 ⁽³⁾	4.54
Ms. Chiang Yun	29 September 2014	3.58	800,000	-	-	-	800,000	0.048%	29 September 2014 to 28 September 2024 ⁽²⁾	3.40
	27 March 2018	4.54	400,000	-	-	-	400,000	0.024%	27 March 2018 to 27 March 2028 ⁽³⁾	4.54
Mr. Jin Peng	27 March 2018	4.54	400,000	-	-	-	400,000	0.024%	27 March 2018 to 27 March 2028 ⁽³⁾	4.54
Total number held by Directors	29 September 2014	3.58	12,580,000	-	-	-	12,580,000	0.754%	29 September 2014 to 28 September 2024 ⁽²⁾	3.40
	27 March 2018	4.54	57,000,000	-	-	-	57,000,000	3.417%	27 March 2018 to 27 March 2028 ⁽³⁾	4.54
	23 May 2019	3.75	-	23,900,000	-	-	23,900,000	1.433%	23 May 2019 to 22 May 2029 ⁽³⁾	1.87
Total number held by other participants	29 September 2014	3.58	12,834,000	-	-	(334,000)	12,500,000	0.749%	29 September 2014 to 28 September 2024 ⁽²⁾	3.40
	7 October 2015	3.75	15,116,667	-	-	(4,116,667)	11,000,000	0.659%	7 October 2015 to 6 October 2025 ⁽⁴⁾	3.75
	28 August 2017	3.88	3,000,000	-	-	-	3,000,000	0.180%	28 August 2017 to 27 August 2027 ⁽⁵⁾	3.88
	27 March 2018	4.54	21,800,000	-	-	(1,500,000)	20,300,000	1.217%	27 March 2018 to 27 March 2028 ⁽³⁾	4.54
	28 May 2018	5.122	10,700,000	-	-	(500,000)	10,200,000	0.612%	28 May 2018 to 27 May 2028 ⁽⁷⁾	4.78
	23 May 2019	3.75	-	61,400,000	-	(600,000)	60,800,000	3.645%	23 May 2019 to 22 May 2029 ⁽³⁾	1.87

Details of the share options granted under the 2010 and 2020 Share Option Schemes during the six months ended 30 June 2020 were as follows:

Name of Director	Date of grant	Exercise Price	Number of share options						Exercise period	Closing price of securities at the date of grant
			Outstanding as at 1 January 2020	Granted during this year	Exercised during this year	Cancelled/Lapsed during this year	Outstanding as at 30 June 2020	Percentage of total issued share capital ⁽¹⁾		
		(HK\$)							(HK\$)	
Mr. Song Zhenghuan	29 September 2014	3.58	1,390,000	-	-	-	1,390,000	0.083%	29 September 2014 to 28 September 2024 ⁽²⁾	3.40
Mr. Martin Pos	29 September 2014	3.58	2,400,000	-	-	-	2,400,000	0.144%	29 September 2014 to 28 September 2024 ⁽²⁾	3.40
	27 March 2018	4.54	35,000,000	-	-	(17,500,000)	17,500,000	1.049%	27 March 2018 to 27 March 2028 ⁽³⁾	4.54
	19 June 2020	0.96	-	1,680,000	-	(840,000)	840,000	0.050%	27 September 2020 to 27 March 2028	0.96
			-	2,520,000	-	(1,260,000)	1,260,000	0.076%	27 September 2021 to 27 March 2028	
-	-	-	4,200,000	-	(2,100,000)	2,100,000	0.126%	27 September 2022 to 27 March 2028		
Mr. Xia Xinyue	27 March 2018	4.54	20,000,000	-	-	(10,000,000)	10,000,000	0.600%	27 March 2018 to 27 March 2028 ⁽³⁾	4.54
	19 June 2020	0.96	-	960,000	-	(480,000)	480,000	0.029%	27 September 2020 to 27 March 2028	0.96
			-	1,440,000	-	(720,000)	720,000	0.043%	27 September 2021 to 27 March 2028	
			-	2,400,000	-	(1,200,000)	1,200,000	0.072%	27 September 2022 to 27 March 2028	
Mr. Liu Tongyou	29 September 2014	3.58	2,400,000	-	-	-	2,400,000	0.144%	29 September 2014 to 28 September 2024 ⁽²⁾	3.40
23 May 2019	3.75	12,600,000	-	-	(6,300,000)	6,300,000	0.378%	23 May 2019 to 22 May 2029 ⁽³⁾	1.87	
19 June 2020	0.96	-	781,200	-	(390,600)	390,600	0.023%	23 May 2022 to 22 May 2029	0.96	
		-	1,171,800	-	(585,900)	585,900	0.035%	23 May 2023 to 22 May 2029		
		-	1,953,000	-	(976,500)	976,500	0.059%	23 May 2024 to 22 May 2029		

Management Discussion and Analysis

Name of Director	Date of grant	Exercise Price	Number of share options						Closing price of securities at the date of grant	
			Outstanding as at 1 January 2020	Granted during this year	Exercised during this year	Cancelled/Lapsed during this year	Outstanding as at 30 June 2020	Percentage of total issued share capital ⁽¹⁾		Exercise period
		(HK\$)							(HK\$)	
Mr. Michael Nan Qu	29 September 2014	3.58	1,600,000	-	-	-	1,600,000	0.096%	29 September 2014 to 28 September 2024 ⁽²⁾	3.40
	23 May 2019	3.75	10,000,000	-	-	(10,000,000)	0	0%	23 May 2019 to 22 May 2029 ⁽³⁾	1.87
	19 June 2020	0.96	-	620,000	-	-	620,000	0.037%	23 May 2022 to 22 May 2029	0.96
			-	930,000	-	-	930,000	0.056%	23 May 2023 to 22 May 2029	
-	-	-	1,550,000	-	-	1,550,000	0.093%	23 May 2024 to 22 May 2029		
Ms. Fu Jingqiu	29 September 2014	3.58	1,390,000	-	-	-	1,390,000	0.083%	29 September 2014 to 28 September 2024 ⁽²⁾	3.40
	23 May 2019	3.75	1,300,000	-	-	(700,000)	600,000	0.036%	23 May 2019 to 22 May 2029 ⁽³⁾	1.87
	19 June 2020	0.96	-	80,600	-	(37,200)	43,400	0.0026%	23 May 2022 to 22 May 2029	0.96
			-	120,900	-	(55,800)	65,100	0.0039%	23 May 2023 to 22 May 2029	
-	-	-	201,500	-	(93,000)	108,500	0.0065%	23 May 2024 to 22 May 2029		
Mr. Ho Kwok Yin, Eric	29 September 2014	3.58	1,000,000	-	-	-	1,000,000	0.060%	29 September 2014 to 28 September 2024 ⁽²⁾	3.40
	27 March 2018	4.54	400,000	-	-	(400,000)	0	0%	27 March 2018 to 27 March 2028 ⁽³⁾	4.54
	19 June 2020	0.96	-	19,200	-	-	19,200	0.001%	27 September 2020 to 27 March 2028	0.96
			-	28,800	-	-	28,800	0.002%	27 September 2021 to 27 March 2028	
-	-	-	48,000	-	-	48,000	0.003%	27 September 2022 to 27 March 2028		

Name of Director	Date of grant	Exercise Price	Number of share options						Closing price of securities at the date of grant	
			Outstanding as at 1 January 2020	Granted during this year	Exercised during this year	Cancelled/Lapsed during this year	Outstanding as at 30 June 2020	Percentage of total issued share capital ⁽¹⁾		Exercise period
		(HK\$)							(HK\$)	
Mr. Iain Ferguson Bruce	29 September 2014	3.58	800,000	-	-	-	800,000	0.048%	29 September 2014 to 28 September 2024 ⁽²⁾	3.40
	27 March 2018	4.54	400,000	-	-	(400,000)	0	0%	27 March 2018 to 27 March 2028 ⁽³⁾	4.54
	19 June 2020	0.96	-	19,200	-	-	19,200	0.001%	27 September 2020 to 27 March 2028	0.96
			-	28,800	-	-	28,800	0.002%	27 September 2021 to 27 March 2028	
			-	48,000	-	-	48,000	0.003%	27 September 2022 to 27 March 2028	
	Mr. Shi Xiaoguang	29 September 2014	3.58	800,000	-	-	-	800,000	0.048%	29 September 2014 to 28 September 2024 ⁽²⁾
27 March 2018		4.54	400,000	-	-	(400,000)	0	0%	27 March 2018 to 27 March 2028 ⁽³⁾	4.54
19 June 2020		0.96	-	19,200	-	-	19,200	0.001%	27 September 2020 to 27 March 2028	0.96
			-	28,800	-	-	28,800	0.002%	27 September 2021 to 27 March 2028	
			-	48,000	-	-	48,000	0.003%	27 September 2022 to 27 March 2028	
Ms. Chiang Yun		29 September 2014	3.58	800,000	-	-	-	800,000	0.048%	29 September 2014 to 28 September 2024 ⁽²⁾
	27 March 2018	4.54	400,000	-	-	(400,000)	0	0%	27 March 2018 to 27 March 2028 ⁽³⁾	4.54
	19 June 2020	0.96	-	19,200	-	-	19,200	0.001%	27 September 2020 to 27 March 2028	0.96
			-	28,800	-	-	28,800	0.002%	27 September 2021 to 27 March 2028	
			-	48,000	-	-	48,000	0.003%	27 September 2022 to 27 March 2028	

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Name of Director	Date of grant	Exercise Price	Number of share options						Closing price of securities at the date of grant	
			Outstanding as at 1 January 2020	Granted during this year	Exercised during this year	Cancelled/Lapsed during this year	Outstanding as at 30 June 2020	Percentage of total issued share capital ⁽¹⁾		Exercise period
		(HK\$)							(HK\$)	
Mr. Jin Peng	27 March 2018	4.54	400,000	-	-	(400,000)	0	0%	27 March 2018 to 27 March 2028 ⁽²⁾	4.54
	19 June 2020	0.96	-	19,200	-	-	19,200	0.001%	27 September 2020 to 27 March 2028	0.96
			-	28,800	-	-	28,800	0.002%	27 September 2021 to 27 March 2028	
			-	48,000	-	-	48,000	0.003%	27 September 2022 to 27 March 2028	
Total number held by Directors	29 September 2014	3.58	12,580,000	-	-	-	12,580,000	0.754%	29 September 2014 to 28 September 2024 ⁽²⁾	3.40
	27 March 2018	4.54	57,000,000	-	-	(29,500,000)	27,500,000	1.649%	27 March 2018 to 27 March 2028 ⁽²⁾	4.54
	23 May 2019	3.75	23,900,000	-	-	(17,000,000)	6,900,000	0.414%	23 May 2019 to 22 May 2029 ⁽³⁾	1.87
	19 June 2020	0.96	-	21,089,000	-	(8,739,000)	12,350,000	0.740%	Refer to the above	0.96
Total number held by other participants	29 September 2014	3.58	12,500,000	-	-	-	12,500,000	0.749%	29 September 2014 to 28 September 2024 ⁽²⁾	3.40
	7 October 2015	3.75	11,000,000	-	-	(533,333)	10,466,667	0.627%	7 October 2015 to 6 October 2025 ⁽⁴⁾	3.75
	28 August 2017	3.88	3,000,000	-	-	(3,000,000)	0	0%	28 August 2017 to 27 August 2027 ⁽⁵⁾	3.88
	27 March 2018	4.54	20,300,000	-	-	(15,800,000)	4,500,000	0.270%	27 March 2018 to 27 March 2028 ⁽²⁾	4.54
	28 May 2018	5.122	10,200,000	-	-	(6,400,000)	3,800,000	0.228%	28 May 2018 to 27 May 2028 ⁽⁷⁾	4.78
	23 May 2019	3.75	60,800,000	-	-	(28,350,000)	32,450,000	1.945%	23 May 2019 to 22 May 2029 ⁽³⁾	1.87
	19 June 2020	0.96	-	26,232,000	-	(12,497,500)	13,734,500	0.820%	Refer to note (9)	0.96

Notes:

- (1) The percentage is calculated based on the total number of 1,668,023,166 shares in issue as at 31 December 2019 and 30 June 2020.
- (2) The share options are exercisable within a period of 10 years from 29 September 2014 and subject to the following vesting schedule:
 - (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:
 - (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:
 - (i) one third of the share options vested on 7 October 2018;
 - (ii) one third of the share options vested on 7 October 2019; and
 - (iii) the remaining one third of the share options vested on 7 October 2020.
- (5) The share options are exercisable within a period of 10 years from 28 August 2017 and subject to the following vesting schedule:
 - (i) one third of the share options vested on 28 August 2020;
 - (ii) one third of the share options vested on 28 August 2021; and
 - (iii) the remaining one third of the share options vested on 28 August 2022.
- (6) The share options are exercisable within a period of 10 years from 27 March 2018 and subject to the following vesting schedule:
 - (i) 20% of the share options vested on 27 September 2020;
 - (ii) another 30% of the share options vested on 27 September 2021; and
 - (iii) the remaining share options vested on 27 September 2022.
- (7) The share options are exercisable within a period of 10 years from 28 May 2018 and subject to the following vesting schedule:
 - (i) 20% of the share options vested on 28 May 2021;
 - (ii) another 30% of the share options vested on 28 May 2022; and
 - (iii) the remaining share options vested on 28 May 2023.
- (8) The share options are exercisable within a period of 10 years from 23 May 2019 and subject to the following vesting schedule:
 - (i) 20% of the share options vested on 23 May 2022;
 - (ii) another 30% of the share options vested on 23 May 2023; and
 - (iii) the remaining share options vested on 23 May 2024.

Management Discussion and Analysis

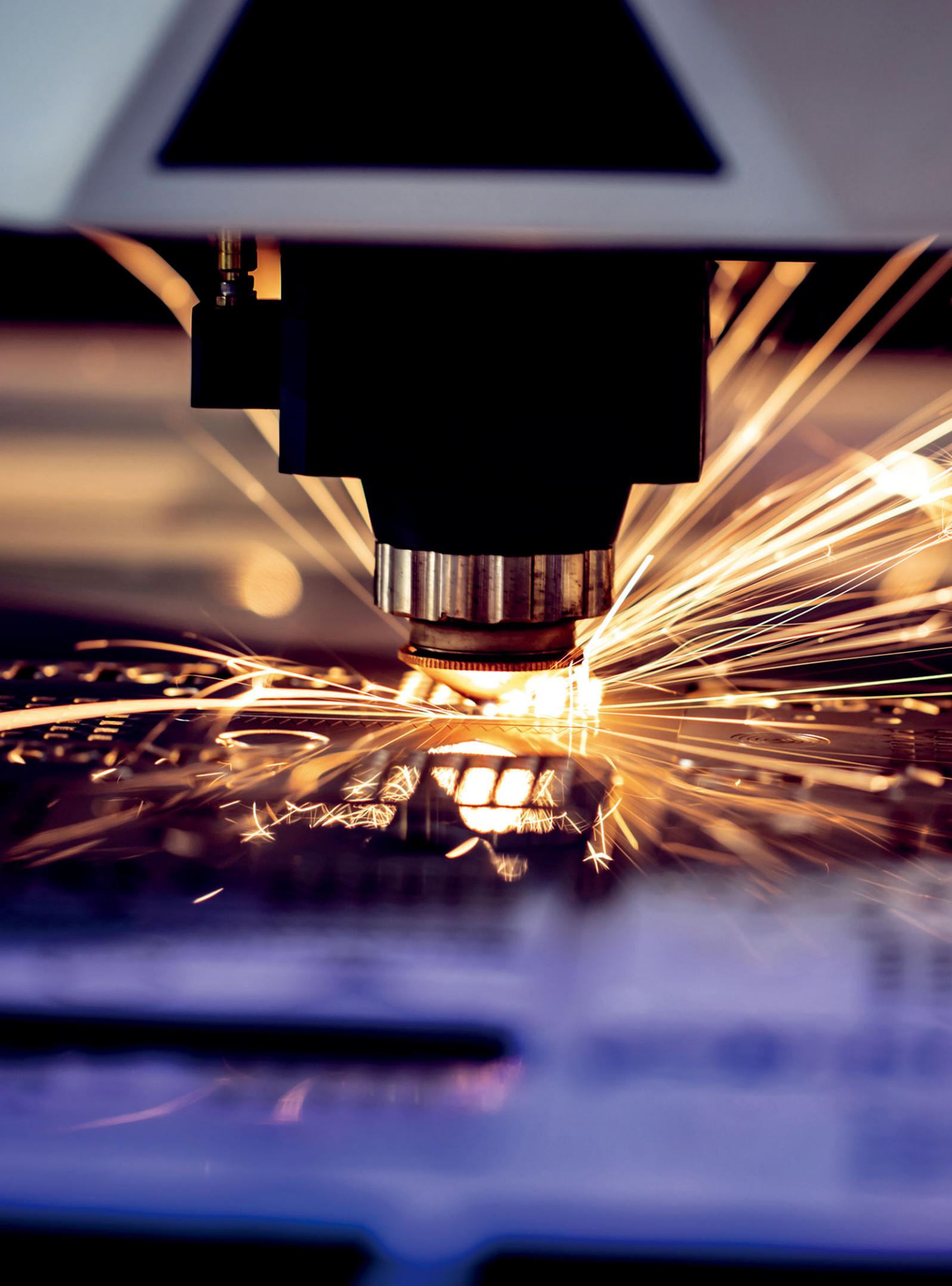
- (9) Among the 26,084,500 share options, the vesting schedule and exercise period are as follows:
- (i) 280,000 share options will be vested on 28 August 2020 and exercisable until 27 August 2027;
 - (ii) 280,000 share options will be vested on 28 August 2021 and exercisable until 27 August 2027;
 - (iii) 280,000 share options will be vested on 28 August 2022 and exercisable until 27 August 2027;
 - (iv) 2,174,000 share options will be vested on 27 September 2020 and exercisable until 27 March 2028;
 - (v) 3,261,600 share options will be vested on 27 September 2021 and exercisable until 27 March 2028;
 - (vi) 5,436,000 share options will be vested on 27 September 2022 and exercisable until 27 March 2028;
 - (vii) 224,000 share options will be vested on 28 May 2021 and exercisable until 27 May 2028;
 - (viii) 336,000 share options will be vested on 28 May 2022 and exercisable until 27 May 2028;
 - (ix) 560,000 share options will be vested on 28 May 2023 and exercisable until 27 May 2028;
 - (x) 2,650,500 share options will be vested on 23 May 2022 and exercisable until 22 May 2029;
 - (xi) 3,975,750 share options will be vested on 23 May 2023 and exercisable until 22 May 2029; and
 - (xii) 6,626,250 share options will be vested on 23 May 2024 and exercisable until 22 May 2029.

Significant Acquisition, Disposal Or Investment

During the Period, the Group did not have any material acquisition and disposals of subsidiaries and associated companies, and investment.

Future Plans for Material Investments or Capital Assets

The Group did not have plans for material investments and capital assets as at 30 June 2020.



Other Information

Purchase, Sale or Redemption of Shares

During the Period, neither Goodbaby International Holdings Limited 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 2020 (the "**Period**") (six months ended 30 June 2019: Nil).

Corporate Governance

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

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

SPECIFIC PERFORMANCE OBLIGATIONS OF CONTROLLING SHAREHOLDERS UNDER RULE 13.18 OF THE LISTING RULES

JULY 2018 FACILITY AGREEMENT

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

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

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

As at the date of this report, US\$164,000,000 remains outstanding in respect of this July 2018 Facility Agreement. For further details, please also refer to the announcement of the Company dated 16 July 2018.

Other Information

DECEMBER 2018 FACILITY AGREEMENT

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

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

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

The term loan facility under this December 2018 Facility Agreement was fully utilised in January 2019. As at the date of this report, US\$100,000,000 remains outstanding in respect of this December 2018 Facility Agreement.

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

Save as disclosed above, as at 30 June 2020, the Company did not have other disclosure obligations under Rule 13.18 of the Listing Rules.

Model Code for Securities Transactions by Directors

Since the listing of the Company on the Main Board of the Stock Exchange on 24 November 2010, the Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code for the dealings in securities transactions by the Directors. Having been made specific enquiries by the Company, all Directors have confirmed that they complied with the required standard of dealings set out in the Model Code throughout the Period.

Audit Committee

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

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

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

As at 30 June 2020, the interest or short positions of the Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required, pursuant to the Model Code, are as follows:

Directors’ Interest in the Shares And/OR Underlying Shares

Name of Director	Nature of Interest	Number of Shares and/ or Underlying Shares	Approximate percentage of Shareholding
Mr. Song Zhenghuan (“Mr. Song”) (Notes 2&5)	Beneficiary of a trust/ Beneficial owner/Interest of controlled corporation/ Interest of spouse	769,639,427 (L)	46.14%
Mr. Martin Pos	Beneficial owner	71,333,498 (L)	4.27%
Mr. Michael Nan Qu	Beneficial owner/Interest of spouse	4,809,000 (L)	0.29%
Mr. Liu Tongyou (“Mr. Liu”) (Note 3)	Beneficial owner/Interest of controlled corporation	39,710,573 (L)	2.38%
Ms. Fu Jingqiu (“Ms. Fu”) (Notes 2&5)	Beneficiary of a trust/ Beneficial owner/Interest of spouse	769,639,427 (L)	46.14%
Mr. Ho Kwok Yin, Eric	Beneficial owner	1,096,000 (L)	0.07%
Mr. Iain Ferguson Bruce	Beneficial owner	896,000 (L)	0.05%
Mr. Shi Xiaoguang	Beneficial owner	896,000 (L)	0.05%
Ms. Chiang Yun	Beneficial owner	896,000 (L)	0.05%
Mr. Jin Peng	Beneficial owner	96,000 (L)	0.01%
Mr. Xia Xinyue	Beneficial owner	12,400,000 (L)	0.74%

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. Michael Nan Qu	4,700,000
Mr. Liu Tongyou	10,653,000
Ms. Fu Jingqiu	2,207,000
Mr. Ho Kwok Yin, Eric	1,096,000
Mr. Iain Ferguson Bruce	896,000
Mr. Shi Xiaoguang	896,000
Ms. Chiang Yun	896,000
Mr. Xia Xinyue	12,400,000
Mr. Jin Peng	96,000

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

Save as disclosed above, as at 30 June 2020, 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.

Other Information

Substantial Shareholders' Interests and Short Positions

As at 30 June 2020, 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	127,730,000 (L)	7.64%
Pandanus Associates Inc.	Investment Manager	127,730,000 (L)	7.64%
Pandanus Partners L.P.	Investment Manager	127,730,000 (L)	7.64%
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 52.56% by Cayey Enterprises Limited, which in turn is, as at 30 June 2020, 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 Tongyou, 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 2020, 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 28 to the Financial Statements.

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

Changes in Directors' biographical details since the date of the 2019 annual report of the Company, which are required to be disclosed pursuant to Rules 13.51(2) and 13.51(B)(1) of the Listing Rules, are set out below.

Mr. Iain Ferguson Bruce

Mr. Iain Ferguson Bruce has ceased to be a non-executive director of Yingli Green Energy Holding Company Limited, a company listed on the New York Stock Exchange, with effect from 6 March 2020.

Ms. Chiang Yun

Ms. Chiang Yun has been appointed as a non-executive director of Yantai Changyu Pioneer Wine Company Limited, a company listed on Shenzhen Stock Exchange (stock code: 000869), with effect from 1 June 2020.

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 2019 annual report of the Company.

For and on behalf of the Board of Directors

Song Zhenghuan

Chairman

25 August 2020



Report on Review of Interim Condensed Consolidated Financial Information

Report on Review of Interim Condensed Consolidated Financial Information

To the Board of Directors of Goodbaby International Holdings Limited

(Established in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 37 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 2020 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

25 August 2020

Interim Condensed Consolidated Statement of Profit or Loss

For the Six Months Ended 30 June 2020

	Notes	Six months ended 30 June	
		2020	2019
		(Unaudited) (HK\$'000)	
Revenue	4	3,718,095	4,434,224
Cost of sales		(2,172,280)	(2,519,123)
Gross profit		1,545,815	1,915,101
Other income and gains	4	78,655	36,386
Selling and distribution expenses		(945,775)	(1,141,598)
Administrative expenses		(539,094)	(550,524)
Other expenses		(14,216)	(12,166)
Operating profit		125,385	247,199
Finance income	5	12,127	3,829
Finance costs	6	(69,041)	(73,706)
Share of losses of:			
joint ventures		(306)	(207)
An associate		(43)	–
Profit before tax	7	68,122	177,115
Income tax expense	8	(13,855)	(40,851)
Profit for the period		54,267	136,264
Attributable to:			
Owners of the parent		54,138	135,760
Non-controlling interests		129	504
		54,267	136,264
Earnings per share attributable to ordinary equity holders of the parent:	10		
Basic			
For profit for the period (HK\$)		0.03	0.08
Diluted			
For profit for the period (HK\$)		0.03	0.08

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	(Unaudited) (HK\$'000)	
Profit for the period	54,267	136,264
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	4,468	7,213
Reclassification adjustments for losses included in the consolidated statement of profit or loss	4,343	1,398
Income tax effect	(206)	(1,130)
	8,605	7,481
Exchange differences:		
Exchange differences on translation of foreign operations	(115,705)	(23,390)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(107,100)	(15,909)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Actuarial gains of defined benefit plans	643	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	643	–
Other comprehensive loss for the period, net of tax	(106,457)	(15,909)
Total comprehensive (loss)/income for the period	(52,190)	120,355
Attributable to:		
Owners of the parent	(52,015)	119,950
Non-controlling interests	(175)	405
	(52,190)	120,355

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	30 June 2020	31 December 2019
		(Unaudited)	(Audited)
(HK\$'000)			
NON-CURRENT ASSETS			
Property, plant and equipment	11	971,274	1,059,572
Right-of-use assets	12	255,479	296,480
Goodwill	13	2,598,188	2,637,062
Other intangible assets	14	2,126,370	2,177,501
Investment in joint ventures		5,342	5,903
Investment in an associate		2,127	2,082
Deferred tax assets		116,734	121,569
Other long-term assets		10,298	8,781
Total non-current assets		6,085,812	6,308,950
CURRENT ASSETS			
Inventories	15	1,632,925	1,954,471
Trade and notes receivables	16	1,021,853	1,075,634
Prepayments and other receivables		501,931	441,332
Due from related parties	26	3,962	11,595
Financial assets at fair value through profit or loss	22	164,864	–
Cash and cash equivalents	23	1,884,480	1,054,615
Pledged deposits	23	25,561	24,031
Derivative financial instruments	19	9,137	6,334
Total current assets		5,244,713	4,568,012
CURRENT LIABILITIES			
Trade and bills payables	17	1,067,735	1,324,362
Other payables and accruals		718,455	808,158
Income tax payable		31,748	11,960
Provision		49,825	35,552
Interest-bearing bank loans and other borrowings	18	2,037,646	892,220
Lease liabilities	12	98,745	98,388
Derivative financial instruments	19	2,192	4,571
Due to a related party	26	1,538	–
Defined benefit plan liabilities		628	631
Dividends payable		8	8
Total current liabilities		4,008,520	3,175,850
NET CURRENT ASSETS		1,236,193	1,392,162
TOTAL ASSETS LESS CURRENT LIABILITIES		7,322,005	7,701,112

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	30 June 2020	31 December 2019
		(Unaudited)	(Audited)
(HK\$'000)			
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	18	1,565,810	1,861,526
Provision		50,732	50,357
Defined benefit plan liabilities		4,525	5,201
Other liabilities		1,725	5,633
Lease liabilities	12	120,397	156,808
Deferred tax liabilities		522,401	535,453
Total non-current liabilities		2,265,590	2,614,978
Net assets		5,056,415	5,086,134
EQUITY			
Equity attributable to owners of the parent			
Share capital	20	16,680	16,680
Reserves		4,991,249	5,020,793
		5,007,929	5,037,473
Non-controlling interests		48,486	48,661
Total equity		5,056,415	5,086,134

SONG Zhenghuan
Director

LIU Tongyou
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2020

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

	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 2019	16,680	3,320,401	68,996	200,207	(126,124)	5,490	153,975	(21,651)	(1,606)	1,298,352	4,914,720	48,386	4,963,106
Profit for the period	-	-	-	-	-	-	-	-	-	135,760	135,760	504	136,264
Other comprehensive income for the period:													
Cash flow hedges, net of tax	-	-	-	-	-	-	-	-	7,481	-	7,481	-	7,481
Exchange differences on translation	-	-	-	-	(23,291)	-	-	-	-	-	(23,291)	(99)	(23,390)
Total comprehensive income for the period	-	-	-	-	(23,291)	-	-	-	7,481	135,760	119,950	405	120,355
Equity-settled share option arrangements	-	-	20,742	-	-	-	-	-	-	-	20,742	-	20,742
At 30 June 2019 (unaudited)	16,680	3,320,401	89,738	200,207	(149,415)	5,490	153,975	(21,651)	5,875	1,434,112	5,055,412	48,791	5,104,203

Interim Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	(Unaudited) (HK\$'000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax:	68,122	177,115
Adjustments for:		
Finance costs	69,041	73,706
Share of losses of joint ventures	306	207
Share of loss of an associate	43	–
Interest income	(12,127)	(3,829)
Loss on disposal of items of property, plant and equipment	2,505	2,753
Fair value gains, net:		
Cash flow hedges (transfer from equity)	(292)	(178)
Derivative instruments – transactions not qualifying as hedges	(884)	–
Financial assets at fair value through profit or loss	(464)	–
Gain on wealth investment products	(2,597)	(1,028)
Depreciation and amortization	221,869	195,632
(Reversal)/write-down of inventories	(4,701)	6,514
Provision/(reversal of) for impairment of receivables	1,279	(399)
Equity-settled share option expense	22,471	20,742
	364,571	471,235
Decrease in inventories	326,247	127,751
Decrease/(Increase) in trade and notes receivables	52,502	(133,281)
Increase in prepayments and other receivables	(53,968)	(23,654)
Decrease/(Increase) in amounts due from related parties	7,633	(2,594)
Decrease in trade and bills payables	(256,046)	(70,772)
Decrease in other payables and accruals	(98,445)	(18,987)
Increase in amounts due to a related party	1,538	–
Increase in pledged bank deposits	(1,644)	(814)
Increase in other long-term assets	(1,517)	–
(Increase)/decrease in derivative financial assets	(5,182)	378
Increase in provisions	14,648	6,040
Decrease in other liabilities	(513)	(2,893)
Decrease in defined benefit plan liabilities	–	(4,206)
Cash generated from operations	349,824	348,203
Income tax refund	25,930	–
Income tax paid	(25,488)	(25,095)
Net cash flows from operating activities	350,266	323,108

	Six months ended 30 June	
	2020	2019
	(Unaudited) (HK\$'000)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	12,127	3,829
Proceeds from disposal of items of property, plant and equipment	3,600	9,719
Gain on wealth investment products received	2,597	1,028
Purchase of items of property, plant and equipment	(73,832)	(134,479)
Additions to other intangible assets	(7,640)	(10,820)
Exercise of put option over non-controlling interest	(2,045)	–
Decrease in time deposits	–	3,447
Purchase of wealth investment products	(164,400)	(128,199)
Proceeds from disposed wealth investment products	–	128,199
Net cash flows used in investing activities	(229,593)	(127,276)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	3,504,595	2,768,752
Repayment of borrowings	(2,666,405)	(2,748,591)
Interest paid	(54,771)	(57,656)
Principal portion of lease payment	(49,199)	(36,148)
Decrease/(increase) in pledged bank deposits	–	(24,099)
Net cash flows from/(used in) financing activities	734,220	(97,742)
NET INCREASE IN CASH AND CASH EQUIVALENTS	854,893	98,090
Cash and cash equivalents at beginning of period	1,054,615	926,952
Effect of foreign exchange rate changes, net	(25,028)	(3,580)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,884,480	1,021,462

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

1. Corporate Information

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2020 were authorized for issue in accordance with a resolution of directors on 25 August 2020.

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

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

2.1 Basis of Preparation

The interim condensed consolidated financial information for the six months ended 30 June 2020 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 2019.

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 2019, 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>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to IFRS 16	<i>COVID-19-Related Rent Concessions (early adopted)</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

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 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's office buildings and retail stores have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of HK\$3,453,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

3. Operating Segment Information

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

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

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

Six months ended 30 June 2020

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

3. Operating Segment Information (Continued)

Six months ended 30 June 2019

	Strollers and accessories	Car seats and accessories	Non-durable products	Others	Consolidated
	(HK\$'000)				
	(Unaudited)				
Segment revenue (note 4)					
Sales to external customers	1,433,230	1,503,019	839,647	658,328	4,434,224
Segment results	629,322	694,388	419,106	172,285	1,915,101
<i>Reconciliation:</i>					
Other income and gains					36,386
Corporate and other unallocated expenses					(1,696,882)
Other expenses					(12,166)
Finance income					3,829
Finance costs (other than interest on lease liabilities)					(68,946)
Share of losses of joint ventures					(207)
Profit before tax					177,115
Other segment information:					
Impairment losses recognised in the statement of profit or loss	3,264	2,634	(153)	370	6,115
Depreciation and amortization	73,265	76,064	21,859	24,444	195,632

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 2020					
Segment revenue:					
Sales to external customers	1,013,413	1,270,889	1,230,303	203,490	3,718,095
Six months ended 30 June 2019					
Segment revenue:					
Sales to external customers	1,213,928	1,353,427	1,618,307	248,562	4,434,224

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

3. Operating Segment Information (Continued)

Geographical information (Continued)

(b) Non-current assets

	2020		2019	
	(HK\$'000)			
	(Unaudited)		(Audited)	
Mainland China	4,005,850	4,164,959		
North America	1,023,479	1,057,290		
Europe	930,608	956,475		
	5,959,937	6,178,724		

The non-current asset information above is based on the locations of the assets excluding financial instruments and deferred tax assets.

Information about a major customer

During the six months ended 30 June 2020, 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\$407,948,000 (during the six months ended 30 June 2019: HK\$446,050,000).

4. Revenue, Other Income and Gains

An analysis of revenue is as follows:

	Six months ended 30 June			
	2020		2019	
	(HK\$'000)			
(Unaudited)				
<i>Revenue from contracts with customers:</i>				
Sales of goods	3,707,833	4,423,404		
Rendering of testing services	10,262	10,820		
	3,718,095	4,434,224		

4. Revenue, Other Income and Gains (Continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the six months ended 30 June 2020

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

For the six months ended 30 June 2019

Segments	Strollers and accessories	Car seats and accessories	Non-durables	Others	Total
	HK\$'000 (Unaudited)				
Types of goods or services					
Sale of goods	1,433,230	1,503,019	839,647	647,508	4,423,404
Rendering of testing services	–	–	–	10,820	10,820
Total revenue from contracts with customers	1,433,230	1,503,019	839,647	658,328	4,434,224
Timing of revenue recognition					
Goods transferred at a point in time	1,433,230	1,503,019	839,647	647,508	4,423,404
Services transferred at a point in time	–	–	–	10,820	10,820
Total revenue from contracts with customers	1,433,230	1,503,019	839,647	658,328	4,434,224
Revenue from contracts with customers					
External customers	1,433,230	1,503,019	839,647	658,328	4,434,224

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

4. Revenue, Other Income and Gains (Continued)

	Six months ended 30 June	
	2020	2019
	(HK\$'000)	
	(Unaudited)	
Other income and gains		
Government grants (note (a))	64,459	26,856
Rental concession income	3,453	–
Gain on wealth investment products (note (b))	2,597	1,028
Net foreign exchange gain	2,557	–
Compensation income (note (c))	2,090	2,767
Fair value gains, net		
– Cash flow hedges (transfer from equity)	292	178
– Derivative instruments – transactions not qualifying as hedges	884	–
– Financial assets at fair value through profit or loss	464	–
– Gains on call/put options over non-controlling interests	1,350	–
Others	509	5,557
Total	78,655	36,386

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

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

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

5. Finance Income

	Six months ended 30 June	
	2020	2019
	(HK\$'000)	
	(Unaudited)	
Interest income on bank deposits	12,127	3,829

6. Finance Costs

	Six months ended 30 June	
	2020	2019
	(HK\$'000)	
	(Unaudited)	
Interest on bank loans, overdrafts and other loans	63,989	68,946
Interest on lease liabilities	5,052	4,760
	69,041	73,706

7. Profit Before Tax

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

	Six months ended 30 June	
	2020	2019
	(HK\$'000)	
	(Unaudited)	
Cost of inventories sold	2,167,648	2,514,615
Cost of services provided	4,632	4,508
Depreciation of property, plant and equipment	140,189	133,774
Depreciation of right-of-use assets	57,029	34,981
Amortisation of intangible assets	24,651	26,877
Research and development costs ("R&D")	146,802	163,564
Short-term rental expenses*	23,959	49,649
Auditors' remuneration	4,640	4,804
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	732,619	824,309
Share option expense	22,471	20,742
Pension scheme costs (defined benefit plans) (including administrative expense)	454	407
Pension scheme contributions	18,772	34,475
	774,316	879,933
Net foreign exchange (gain)/losses	(2,557)	6,699
Fair value gains, net:		
– Cash flow hedges (transfer from equity)	(292)	(178)
– Derivative instruments – transactions not qualifying as hedges	(884)	–
– Financial assets at fair value through profit or loss	(464)	–
– Gains on call/put options over non-controlling interests	(1,350)	–
Provision/(reversal of) for impairment of receivables	1,279	(399)
(Reversal)/write-down of inventories	(4,701)	6,514
Product warranties and liabilities	33,778	14,924
Loss on disposal of items of property, plant and equipment	2,505	2,753
Bank interest income	(12,127)	(3,829)

* 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 2020

8. Income Tax Expense

The Company and its subsidiaries incorporated in the Cayman Islands, Samoa and the British Virgin Islands (“BVI”) respectively, are exempted from taxation.

Hong Kong profits tax has been provided at the rate of 16.5% (2019:16.5%) on the estimated assessable profits arising in Hong Kong during the 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 (2019: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. 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 5% to 9.99% in the respective states where the subsidiary operates, and the federal income tax rate is 21%.

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 15.83% and subject to business income tax base on the taxable income at rates ranging from 12.95% to 17%.

The Group’s subsidiary registered in Denmark is 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”) at the rate of 25% on the taxable income as reported in their PRC statutory accounts adjusted in accordance with the law of the PRC on Enterprise Income Tax (the “EIT Law”).

Pursuant to relevant tax rules under the EIT Law and with the approval from the relevant tax authorities in the PRC, one of the Group’s subsidiaries, Goodbaby Child Products Co., Ltd. (“GCPC”) is qualified as “High and New Technology Enterprises” and are entitled to a preferential tax rate of 15% from 2017 to 2019.

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

	Six months ended 30 June	
	2020	2019
	(HK\$'000)	
	(Unaudited)	
Current income tax		
– Charge for the period	13,702	56,590
Deferred income tax	153	(15,739)
Income tax expense reported in the statement of profit or loss	13,855	40,851

9. Dividends

The board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

10. Earnings Per Share

The calculation of the basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,668,023,166 in issue during the six months ended 30 June 2020 (six months ended 30 June 2019: 1,668,023,166).

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

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2020.

The calculation of earnings per share is based on:

	Six months ended 30 June	
	2020	2019
	(HK\$'000) (Unaudited)	
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the earnings per share calculation	54,138	135,760

	Number of shares Six months ended 30 June	
	2020	2019
	(Unaudited)	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,668,023,166	1,668,023,166
Effect of dilution-weighted average number of ordinary shares:		
Share options	-	-
Total	1,668,023,166	1,668,023,166

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

11. Property, Plant and Equipment

30 June 2020

	Buildings and land	Plant and machinery	Motor vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
	(HK\$'000)						
	(Unaudited)						
At 31 December 2019 and at 1 January 2020:							
Cost	595,032	1,167,878	23,442	501,392	182,629	74,485	2,544,858
Accumulated depreciation	(319,258)	(695,529)	(13,673)	(362,343)	(94,483)	–	(1,485,286)
Net carrying amount	275,774	472,349	9,769	139,049	88,146	74,485	1,059,572
At 1 January 2020, net of accumulated depreciation	275,774	472,349	9,769	139,049	88,146	74,485	1,059,572
Additions	934	8,301	166	23,224	15,557	25,887	74,069
Disposals	(22)	(4,551)	(175)	(953)	(404)	–	(6,105)
Depreciation provided during the period	(18,795)	(68,922)	(1,283)	(31,251)	(19,938)	–	(140,189)
Transfers	2,192	33,712	–	4,960	4,328	(45,192)	–
Exchange realignment	(6,178)	(5,567)	(182)	(1,420)	(2,054)	(672)	(16,073)
At 30 June 2020, net of accumulated depreciation and impairment	253,905	435,322	8,295	133,609	85,635	54,508	971,274
At 30 June 2020:							
Cost	585,828	1,172,813	22,345	513,834	198,256	54,508	2,547,584
Accumulated depreciation and impairment	(331,923)	(737,491)	(14,050)	(380,225)	(112,621)	–	(1,576,310)
Net carrying amount	253,905	435,322	8,295	133,609	85,635	54,508	971,274

31 December 2019

	Buildings and land	Plant and machinery	Motor vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
	(HK\$'000)						
	(Audited)						
At 31 December 2018 and at 1 January 2019:							
Cost	567,552	1,091,414	24,250	445,748	173,478	97,625	2,400,067
Accumulated depreciation	(298,768)	(600,961)	(11,947)	(319,768)	(90,837)	–	(1,322,281)
Net carrying amount	268,784	490,453	12,303	125,980	82,641	97,625	1,077,786
At 1 January 2019, net of accumulated depreciation	268,784	490,453	12,303	125,980	82,641	97,625	1,077,786
Additions	30,205	60,211	627	57,365	46,035	95,044	289,487
Disposals	(7,056)	(13,847)	(929)	(1,821)	–	(888)	(24,541)
Depreciation provided during the year	(33,315)	(134,644)	(2,154)	(55,253)	(40,649)	–	(266,015)
Transfers	21,442	77,025	125	15,097	2,216	(115,905)	–
Exchange realignment	(4,286)	(6,849)	(203)	(2,319)	(2,097)	(1,391)	(17,145)
At 31 December 2019, net of accumulated depreciation and impairment	275,774	472,349	9,769	139,049	88,146	74,485	1,059,572
At 31 December 2019:							
Cost	595,032	1,167,878	23,442	501,392	182,629	74,485	2,544,858
Accumulated depreciation and impairment	(319,258)	(695,529)	(13,673)	(362,343)	(94,483)	–	(1,485,286)
Net carrying amount	275,774	472,349	9,769	139,049	88,146	74,485	1,059,572

At 30 June 2020, certain of the Group's plant and machinery with a net carrying amount of approximately HK\$12,882,000 (31 December 2019: HK\$17,346,000) were pledged to secure bank loan granted to the Group (note 18).

12. Leases

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

(a) Right-of-use assets

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

30 June 2020

	Prepaid land lease payments	Buildings	Plant and machinery	Motor vehicles	Furniture and fixtures	Total
	(HK\$'000)					
	(Unaudited)					
As at 1 January 2020	47,949	234,151	2,302	11,594	484	296,480
Additions	–	16,949	945	1,416	272	19,582
Modification	–	(133)	–	–	–	(133)
Depreciation charge	(1,005)	(51,306)	(750)	(3,778)	(190)	(57,029)
Exchange realignment	(666)	(2,683)	(11)	(60)	(1)	(3,421)
As at 30 June 2020	46,278	196,978	2,486	9,172	565	255,479

31 December 2019

	Prepaid land lease payments	Buildings	Plant and machinery	Motor vehicles	Furniture and fixtures	Total
	(HK\$'000)					
	(Audited)					
As at 1 January 2019	50,925	208,899	3,206	10,197	804	274,031
Additions	–	114,901	144	8,106	42	123,193
Depreciation charge	(2,066)	(85,374)	(1,034)	(6,422)	(340)	(95,236)
Exchange realignment	(910)	(4,275)	(14)	(287)	(22)	(5,508)
As at 31 December 2019	47,949	234,151	2,302	11,594	484	296,480

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

12. Leases (Continued)

(b) Lease liabilities

	As at	As at
	30 June	31 December
	2020	2019
(HK\$'000)		
	(Unaudited)	(Audited)
Current	98,745	98,388
Non-current	120,397	156,808
Carrying amount at period/year end	219,142	255,196

13. Goodwill

	(HK\$'000)
Cost and net carrying amount at 31 December 2018 and 1 January 2019 (Audited)	2,682,108
Exchange realignment	(45,046)
Cost and net carrying amount at 31 December 2019 and 1 January 2020 (Audited)	2,637,062
Exchange realignment	(38,874)
Cost and net carrying amount at 30 June 2020 (Unaudited)	2,598,188

14. Other Intangible Assets

30 June 2020

	Trademarks	Computer software	Non-compete agreement	Customer relationship	Patents	Total
	(HK\$'000)					
	(Unaudited)					
At 31 December 2019 and at 1 January 2020:						
Cost	1,697,555	84,098	7,178	538,144	69,995	2,396,970
Accumulated amortisation	(29,722)	(43,710)	(7,106)	(109,234)	(29,697)	(219,469)
Net carrying amount	1,667,833	40,388	72	428,910	40,298	2,177,501
At 1 January 2020, net of accumulated amortisation						
Cost	1,667,833	40,388	72	428,910	40,298	2,177,501
Additions	–	4,964	–	–	1,026	5,990
Amortisation provided during the period	(970)	(4,160)	(71)	(17,367)	(2,083)	(24,651)
Exchange realignment	(24,706)	(488)	(1)	(6,759)	(516)	(32,470)
At 30 June 2020, net of accumulated depreciation	1,642,157	40,704	–	404,784	38,725	2,126,370
At 30 June 2020:						
Cost	1,672,118	85,598	7,126	530,101	70,703	2,365,646
Accumulated amortisation	(29,961)	(44,894)	(7,126)	(125,317)	(31,978)	(239,276)
Net carrying amount	1,642,157	40,704	–	404,784	38,725	2,126,370

14. Other Intangible Assets (Continued)

31 December 2019

	Trademarks	Computer software	Non-compete agreement	Customer relationship	Patents	Total
	(HK\$'000)					
	(Audited)					
At 31 December 2018 and at 1 January 2019:						
Cost	1,727,428	56,028	7,360	548,193	71,150	2,410,159
Accumulated amortisation	(29,197)	(34,531)	(6,898)	(75,789)	(25,705)	(172,120)
Net carrying amount	1,698,231	21,497	462	472,404	45,445	2,238,039
At 1 January 2019, net of accumulated amortisation						
At 1 January 2019, net of accumulated amortisation	1,698,231	21,497	462	472,404	45,445	2,238,039
Additions	3,704	26,783	–	–	820	31,307
Disposals	–	–	–	–	–	–
Amortisation provided during the year	(1,795)	(7,765)	(384)	(36,073)	(4,456)	(50,473)
Exchange realignment	(32,307)	(127)	(6)	(7,421)	(1,511)	(41,372)
At 31 December 2019, net of accumulated depreciation	1,667,833	40,388	72	428,910	40,298	2,177,501
At 31 December 2019:						
Cost	1,697,555	84,098	7,178	538,144	69,995	2,396,970
Accumulated amortisation	(29,722)	(43,710)	(7,106)	(109,234)	(29,697)	(219,469)
Net carrying amount	1,667,833	40,388	72	428,910	40,298	2,177,501

15. Inventories

	As at 30 June 2020	As at 31 December 2019
	(HK\$'000)	
	(Unaudited)	(Audited)
Raw materials	255,534	330,609
Work in progress	39,638	47,840
Finished goods	1,337,753	1,576,022
	1,632,925	1,954,471

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For the six months ended 30 June 2020

16. Trade and Notes Receivables

	As at 30 June 2020	As at 31 December 2019
	(HK\$'000)	
	(Unaudited)	(Audited)
Trade receivables	1,045,363	1,100,028
Notes receivables	5,630	3,770
	1,050,993	1,103,798
Impairment for trade receivables	(29,140)	(28,164)
	1,021,853	1,075,634

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 2020	As at 31 December 2019
	(HK\$'000)	
	(Unaudited)	(Audited)
Within 3 months	945,106	1,003,174
3 to 6 months	35,468	45,694
6 months to 1 year	25,327	12,296
Over 1 year	10,322	10,700
	1,016,223	1,071,864

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 2020	As at 31 December 2019
	(HK\$'000)	
	(Unaudited)	(Audited)
Within 3 months	943,252	1,125,977
3 to 12 months	115,453	189,929
1 to 2 years	4,501	5,839
2 to 3 years	2,333	2,051
Over 3 years	2,196	566
	1,067,735	1,324,362

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 Borrowing

		As at 30 June 2020		As at 31 December 2019	
		Maturity	HK\$'000 (Unaudited)	Maturity	HK\$'000 (Audited)
Current					
Bank overdrafts – secured	Note (a)	2020	159,585	2020	293,351
Bank overdrafts – unsecured	Note (a)	2020	81	2020	3,020
Current portion of long-term bank loans – secured	Note (b)	2020-2021	850,406	2020	256,320
Bank borrowings – secured	Note (b)	2020-2021	499,676	2020	338,283
Promissory note	Note (c)	2020-2021	1,860	2020	1,246
Bank borrowings – unsecured		2020-2021	526,038		–
			2,037,646		892,220
Non-current					
Bank borrowings – secured	Note (b)	2021-2023	1,565,810	2021-2023	1,860,903
Promissory note	Note (c)		–	2021-2022	623
			1,565,810		1,861,526
Total			3,603,456		2,753,746

Note (a): The bank overdraft facilities amounted to HK\$378,381,650, of which HK\$159,666,279 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 2020, certain of the Group's bank loans are secured by:

- (i) Certain machinery amounting to HK\$12,882,000 (31 December 2019: HK\$17,346,000);
- (ii) A standby letter of credit from certain banks issued by a subsidiary of the Company;
- (iii) The guarantee from the Company and a subsidiary of the Company (31 December 2019: the guarantee from the Company).

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

Note (d): The effective interest rates of the bank loans and other borrowing range from 1% to 6% (2019: 0.80% to 6%).

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For the six months ended 30 June 2020

19. Derivative Financial Instruments

	As at 30 June 2020	
	Assets	Liabilities
	(HK\$'000)	
	(Unaudited)	
Forward currency contracts		
– designated as hedging instruments	9,137	2,192

	As at 31 December 2019	
	Assets	Liabilities
	(HK\$'000)	
	(Audited)	
Forward currency contracts		
– designated as hedging instruments	6,334	4,571

20. Share Capital

	Number of shares in issue	Issued capital
	('000)	(HK\$'000)
Issued and fully paid:		
At 1 January 2020 and 30 June 2020	1,668,023	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 Company operates two share option schemes, one adopted by the Company on 5 November 2010 (the "2010 Share Option Scheme") and a new one adopted by the Company following the termination of the 2010 Share Option Scheme on the annual general meeting of the Company held on 25 May 2020 (the "2020 Share Option Scheme").

21. Share Option Scheme (Continued)

The purpose of the share options schemes is to motivate the eligible participants to optimize 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. 2010 Share Option Scheme and 2020 Share Option Scheme both have a term of 10 years. Upon termination of 2010 Share Option Scheme mentioned above, no further options may be granted thereunder but the provisions of 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 currently permitted to be granted under the 2010 Share Option Scheme and 2020 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 and 25 May 2020 respectively. The maximum number of shares issuable under share options to each eligible participant under 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; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

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

On 19 June 2020, the Board announced that the Company shall allow holders of the existing share options ("the Existing Share Options") granted on 28 August 2017, 27 March 2018, 28 May 2018 and 23 May 2019 under the 2010 Share Option Scheme to exchange their Existing Share Options for new share options to be granted under the 2020 Share Option Scheme. As at 19 June 2020, none of the above share options was vested. A total of 96,650,000 Existing Share Options were cancelled under the 2010 Share Option Scheme and replaced by a total of 26,084,500 new share options with an exercise price of HK\$0.96 under the 2020 Share Option Scheme ("Replacement Options").

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

21. Share Option Scheme (Continued)

The exchange ratio of 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 2020:

	Weighted average exercise price	Number of options
	HK\$ per share	'000
At 1 January 2019	4.299	133,031
Granted during the year	3.750	85,300
Forfeited during the year	3.688	(7,051)
Exercised during the year	–	–
At 31 December 2019, 1 January 2020	4.087	211,280
Forfeited during the period	4.200	(3,934)
Cancelled during the period	4.029	(96,650)
At 30 June 2020	3.987	110,696

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 2020

Number of options	Exercise price	Exercise period
'000	HKS 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
3,500	3.75	7 October 2018 to 6 October 2025
3,500	3.75	7 October 2019 to 6 October 2025
3,467	3.75	7 October 2020 to 6 October 2025
6,400	4.54	27 September 2020 to 27 March 2028
9,600	4.54	27 September 2021 to 27 March 2028
16,000	4.54	27 September 2022 to 27 March 2028
760	5.12	28 May 2021 to 27 May 2028
1,140	5.12	28 May 2022 to 27 May 2028
1,900	5.12	28 May 2023 to 27 May 2028
7,870	3.75	23 May 2022 to 22 May 2029
11,805	3.75	23 May 2023 to 22 May 2029
19,675	3.75	23 May 2024 to 22 May 2029
110,696		

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For the six months ended 30 June 2020

21. Share Option Scheme (Continued)

(a) 2010 Share Option Scheme (Continued)

31 December 2019

Number of options	Exercise price	Exercise period
'000	HKS 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
3,667	3.75	7 October 2018 to 6 October 2025
3,667	3.75	7 October 2019 to 6 October 2025
3,667	3.75	7 October 2020 to 6 October 2025
1,000	3.88	28 August 2020 to 27 August 2027
1,000	3.88	28 August 2021 to 27 August 2027
1,000	3.88	28 August 2022 to 27 August 2027
15,460	4.54	27 September 2020 to 27 March 2028
23,190	4.54	27 September 2021 to 27 March 2028
38,650	4.54	27 September 2022 to 27 March 2028
2,040	5.122	28 May 2021 to 27 May 2028
3,060	5.122	28 May 2022 to 27 May 2028
5,100	5.122	28 May 2023 to 27 May 2028
16,940	3.75	23 May 2022 to 22 May 2029
25,410	3.75	23 May 2023 to 22 May 2029
42,350	3.75	23 May 2024 to 22 May 2029
211,280		

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

	Weighted average exercise price	Number of options
	HK\$ per share	'000
Granted during the year	0.96	26,085

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

30 June 2020

Number of options	Exercise price	Exercise period
'000	HK\$ per share	
280	0.96	28 August 2020 to 27 August 2027
280	0.96	28 August 2021 to 27 August 2027
280	0.96	28 August 2022 to 27 August 2027
2,174	0.96	27 September 2020 to 27 March 2028
3,262	0.96	27 September 2021 to 27 March 2028
5,436	0.96	27 September 2022 to 27 March 2028
224	0.96	28 May 2021 to 27 May 2028
336	0.96	28 May 2022 to 27 May 2028
560	0.96	28 May 2023 to 27 May 2028
2,651	0.96	23 May 2022 to 22 May 2029
3,976	0.96	23 May 2023 to 22 May 2029
6,626	0.96	23 May 2024 to 22 May 2029
26,085		

There was no share option exercised during six months ended 30 June 2020 and 2019.

The Group recognised a share option expense of HK\$22,471,000 during the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$20,742,000).

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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 19 June 2020
Dividend yield (%)	0.00
Spot stock price (HK\$ per share)	0.96
Historical volatility (%)	43.8-44.9
Risk-free interest rate (%)	0.45-0.60
Expected life of options (year)	7.19-8.93

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 110,696,667 and 26,084,500 share options outstanding under 2010 Share Option Scheme and 2020 Share Option Scheme, respectively. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 136,781,167 additional ordinary shares of the Company and additional share capital of HK\$1,367,810 and share premium of HK\$465,013,960 (before issue expenses).

At the date of approval of these financial statements, the Company had 109,713,332 and 26,084,500 share options outstanding under 2010 Share Option Scheme and 2020 Share Option Scheme respectively, which represented approximately 6.6% and 1.6% of the Company's shares in issue as at that date respectively.

22. Financial Assets at Fair Value Through Profit or Loss

	As at	As at
	30 June	31 December
	2020	2019
(HK\$'000)		
	(Unaudited)	(Audited)
Structured deposit	164,864	-

Financial assets at fair value through profit of loss represented the structured deposit placed with licensed financial institution in Hong Kong and its maturity date is due by 15 October 2020.

23. Cash and Cash Equivalents

	As at	As at
	30 June	31 December
	2020	2019
(HK\$'000)		
	(Unaudited)	(Audited)
Cash and bank balances	1,910,041	1,078,646
Less: Pledged deposits	(25,561)	(24,031)
Cash and cash equivalents	1,884,480	1,054,615
Denominated in US\$	443,010	209,808
Denominated in RMB	1,318,865	619,353
Denominated in EUR	103,788	182,458
Denominated in HK\$	4,277	13,780
Denominated in other currencies	40,101	53,247
Cash and bank balances	1,910,041	1,078,646

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

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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 2020	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	(HK\$'000)		
	(Unaudited)		
Trade and notes receivables	–	1,021,853	1,021,853
Financial assets included in prepayments and other receivables	–	385,749	385,749
Financial assets at fair value through profit or loss	164,864	–	164,864
Due from related parties	–	3,962	3,962
Derivative financial instruments	9,137	–	9,137
Other long-term assets	670	9,628	10,298
Pledged bank deposits	–	25,561	25,561
Cash and cash equivalents	–	1,884,480	1,884,480
	174,671	3,331,233	3,505,904

As at 31 December 2019	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	(HK\$'000)		
	(Audited)		
Trade and notes receivables	–	1,075,634	1,075,634
Financial assets included in prepayments and other receivables	–	330,617	330,617
Due from a related party	–	11,595	11,595
Derivative financial instruments	6,334	–	6,334
Other long-term assets	672	8,109	8,781
Pledged deposits	–	24,031	24,031
Cash and cash equivalents	–	1,054,615	1,054,615
	7,006	2,504,601	2,511,607

24. Financial Instruments by Category (Continued)

Financial liabilities

As at 30 June 2020	Financial liabilities at fair value through profit of loss	Financial liabilities at amortised cost	Total
	(HK\$'000) (Unaudited)		
Financial liabilities included in other payables and accruals	–	199,480	199,480
Trade and bills payables	–	1,067,735	1,067,735
Interest-bearing bank loans and other borrowings	–	3,603,456	3,603,456
Derivative financial instruments	2,192	–	2,192
Due to a related party	–	1,538	1,538
Other liabilities	–	287	287
	2,192	4,872,496	4,874,688

As at 31 December 2019	Financial liabilities at fair value through profit of loss	Financial liabilities at amortised cost	Total
	(HK\$'000) (Audited)		
Financial liabilities included in other payables and accruals	–	208,341	208,341
Trade and bills payables	–	1,324,362	1,324,362
Interest-bearing bank loans and other borrowings	–	2,753,746	2,753,746
Derivative financial instruments	4,571	–	4,571
Other liabilities	–	3,734	3,734
	4,571	4,290,183	4,294,754

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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:

Financial assets:

	Carrying amount	Fair value
	(HK\$'000)	
	(Unaudited)	
30 June 2020		
Derivative financial instruments	9,137	9,137
Other long-term assets – call options over non-controlling interests	670	670
Financial assets at fair value through profit or loss	164,864	164,864
	174,671	174,671
31 December 2019		
Derivative financial instruments	6,334	6,334
Other long-term assets – call options over non-controlling interests	672	672
	7,006	7,006

Financial liabilities:

	Carrying amount	Fair value
	(HK\$'000)	
	(Unaudited)	
30 June 2020		
Derivative financial instruments	2,192	2,192
Other non-current liabilities – put options over non-controlling interests	287	287
Interest-bearing bank loans and other borrowing (other than lease liabilities)	3,603,456	3,603,456
Total	3,605,935	3,605,935
31 December 2019		
Derivative financial instruments	4,571	4,571
Other non-current liabilities – put options over non-controlling interests	3,734	3,734
Interest-bearing bank loans and other borrowing (other than lease liabilities)	2,753,746	2,753,746
Total	2,762,051	2,762,051

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

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: (Continued)

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.

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 2020, the marked-to-market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the financial instruments recognised at fair value.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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

Fair value hierarchy

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

Assets measured at fair value:

	30 June 2020	Fair value measurement using		
		Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
(HK\$'000)				
(Unaudited)				
Other long-term assets				
– Call options over non-controlling interests	670	–	–	670
Financial assets at fair value through profit or loss	164,864	–	164,864	–
Derivative financial instruments	9,137	–	9,137	–
	174,671	–	174,001	670

	31 December 2019	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
(Audited)				
Other long-term assets				
– Call option over non-controlling interests	672	–	–	672
Derivative financial instruments	6,334	–	6,334	–
	7,006	–	6,334	672

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

	30 June 2020	31 December 2019
	(HK\$'000)	
	(Unaudited)	(Audited)
At 1 January	672	4,287
Remeasurement recognised in other income and gains	–	(3,517)
Purchases	–	922,983
Disposals	–	(923,025)
Exchange realignment	(2)	(56)
	670	672

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

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

	30 June 2020	Fair value measurement using		
		Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
		(HK\$'000)		
		(Unaudited)		
Put options over non-controlling interests	287	-	-	287
Derivative financial instruments	2,192	-	2,192	-
Interest-bearing bank loans and other borrowing	3,603,456	-	3,603,456	-
	3,605,935	-	3,605,648	287

	31 December 2019	Fair value measurement using		
		Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
		(HK\$'000)		
		(Audited)		
Put option over non-controlling interests	3,734	-	-	3,734
Derivative financial instruments	4,571	-	4,571	-
Interest-bearing bank loans and other borrowings	2,753,746	-	2,753,746	-
	2,762,051	-	2,758,317	3,734

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

	30 June 2020	31 December 2019
	(HK\$'000)	
	(Unaudited)	(Audited)
At 1 January	3,734	10,951
Remeasurement recognised in other income and gains	1,350	(6,953)
Exchange realignment	(4,797)	(264)
	287	3,734

During the period ended 30 June 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

26. Commitments

The Group had the following capital commitments as at 30 June 2020 and 31 December 2019:

	30 June 2020	31 December 2019
	(HK\$'000)	
	(Unaudited)	(Audited)
Contracted, but not provided for in respect of the acquisition of:		
Property, plant and equipment	2,617	13,718

27. 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

27. 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	
	2020	2019
	(HK\$'000)	
	(Unaudited)	
Sales of goods to related parties (note (a))		
CAGB and its subsidiaries	4,259	14,398
Purchase of goods to a related party (note (a))		
GCQT	1,371	–
Rental expense to a related party (note (b))		
GGPX	6,843	–

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

Note (b): The Group entered into lease agreements in respect of certain warehouse and plant from GGPX. The rental fee under the lease for the year ended 30 June 2020 was HK\$6,843,000. At 30 June 2020, the Group recognised right-of-use assets of HK\$18,162,000 and lease liabilities of HK\$19,400,000. 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 2020	As at 31 December 2019
	(HK\$'000)	
	(Unaudited)	(Audited)
Amounts due from related parties:		
CAGB and its subsidiaries	3,962	11,595
Amounts due to a related party:		
GCQT	1,538	–
Right-of-use assets in relation to buildings recognised by the Group as a lessee to a related party		
GGPX	18,162	24,694
Lease liabilities due to a related party		
GGPX	19,400	25,880

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 2020

27. Related Party Transactions and Balances (Continued)

(d) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2020	2019
	(HK\$'000)	
	(Unaudited)	
Short term employee benefits	17,145	21,775
Equity-settled share option expense	18,830	7,422
Post-employment benefits	281	295
Total compensation paid to key management personnel	36,256	29,492

28. Events After the Reporting Period

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

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

Given the dynamic circumstances and uncertainties across the global markets to be recovered from the COVID-19 pandemic, the Group's financial performance during the pandemic period has inevitably been affected by the COVID-19 situation, and the overall financial impact, which will be reflected in the Group's 2020 annual financial statements, could not be reasonably estimated at this stage.

Goodbaby

International

Goodbaby International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

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Stock Code: 1086

