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Goodbaby International Holdings Limited

好孩子國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1086)

**ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

Financial Highlights

- Revenue for the year ended 31 December 2014 was approximately HK\$6,115.6 million, increased by approximately 46.0% as compared with approximately HK\$4,188.8 million for the corresponding period in year 2013;
- Gross profit for the year ended 31 December 2014 was approximately HK\$1,527.5 million, increased by approximately 59.0% as compared with approximately HK\$960.6 million for the corresponding period in year 2013, which translated to a gross profit margin of approximately 25.0% for the year ended 31 December 2014 as compared with approximately 22.9% for the corresponding period in the year 2013; and

- Profit for the year ended 31 December 2014 was approximately HK\$57.7 million, decreased by approximately HK\$113.4 million as compared with approximately HK\$171.1 million for the corresponding period in year 2013 (mainly attributable to “acquisition-related costs”¹ amounting to approximately HK\$118.6 million), which translated to a profit margin of approximately 0.9% for the year ended 31 December 2014 as compared with approximately 4.1% for the corresponding period in the year 2013.

Unit (HK\$ million)	For the 12 months ended 31 December 2014	For the 12 months ended 31 December 2013	Growth rate
Revenue	6,115.6	4,188.8	46.0%
Including:			
Revenue from the domestic market	1,466.2	1,357.5	8.0%
Revenue from overseas markets	4,649.4	2,831.3	64.2%
Gross profit	1,527.5	960.6	59.0%
Operating profit	144.8	191.2	(24.3)%
Profit for the year	57.7	171.1	(66.3)%

The board (the “**Board**”) of directors (the “**Directors**”) of Goodbaby International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the consolidated results of the Group for the year ended 31 December 2014, together with the comparative figures for the year ended 31 December 2013, which have been prepared in accordance with the International Financial Reporting Standards (“**IFRSs**”) as below.

1. Acquisition-related cost included:

- 1) the professional and consulting fees incurred for implementation of our acquisition strategy;
- 2) the increased depreciation and amortization for the newly acquired assets due to purchase price allocation;
- 3) the finance cost incurred for increased bank loans due to payment of acquisition consideration.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	<i>Notes</i>	2014 <i>(HK\$'000)</i>	2013 <i>(HK\$'000)</i>
Revenue	4	6,115,592	4,188,794
Cost of sales		<u>(4,588,057)</u>	<u>(3,228,205)</u>
Gross profit		1,527,535	960,589
Other income and gains	4	97,147	48,593
Selling and distribution expenses		(777,464)	(446,969)
Administrative expenses		(699,180)	(359,971)
Other expenses		(3,234)	(11,056)
Finance costs	6	(48,110)	(6,826)
Finance income	5	8,606	10,590
Share of losses of a joint venture		<u>(31)</u>	<u>(22)</u>
PROFIT BEFORE TAX	7	105,269	194,928
Income tax expense	8	<u>(47,545)</u>	<u>(23,799)</u>
PROFIT FOR THE YEAR		<u>57,724</u>	<u>171,129</u>
Attributable to:			
Owners of the parent		57,475	171,213
Non-controlling interests		<u>249</u>	<u>(84)</u>
		<u>57,724</u>	<u>171,129</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:	10		
Basic			
- For profit for the year (HK\$)		<u>0.05</u>	<u>0.17</u>
Diluted			
- For profit for the year (HK\$)		<u>0.05</u>	<u>0.17</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 <i>(HK\$'000)</i>	2013 <i>(HK\$'000)</i>
PROFIT FOR THE YEAR	<u>57,724</u>	<u>171,129</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(48,742)</u>	<u>38,334</u>
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	<u>(48,742)</u>	<u>38,334</u>
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Actuarial losses of defined benefit plans	<u>(6,511)</u>	<u>—</u>
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	<u>(6,511)</u>	<u>—</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>(55,253)</u>	<u>38,334</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>2,471</u>	<u>209,463</u>
Attributable to:		
Owners of the parent	2,326	208,618
Non-controlling interests	<u>145</u>	<u>845</u>
	<u>2,471</u>	<u>209,463</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2014

		31	31
	<i>Notes</i>	December	December
		2014	2013
		<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
			<i>(Restated)</i>
NON-CURRENT ASSETS			
Property, plant and equipment		920,953	707,909
Prepaid land lease payments		65,449	67,916
Goodwill		808,385	16,406
Other intangible assets		711,909	18,564
Investment in a joint venture		927	961
Deferred tax assets		<u>20,249</u>	<u>14,820</u>
Total non-current assets		<u>2,527,872</u>	<u>826,576</u>
CURRENT ASSETS			
Inventories	11	1,535,271	797,983
Trade and notes receivables	12	973,309	738,025
Prepayments and other receivables		192,751	129,238
Due from a related party		379,152	235,717
Available-for-sale investments	13	206,389	127,830
Cash and cash equivalents		434,661	608,299
Time deposits		50,723	—
Pledged time deposits		165,807	—
Derivative financial instruments		<u>26,797</u>	<u>—</u>
Total current assets		<u>3,964,860</u>	<u>2,637,092</u>

		31	31
	<i>Notes</i>	December	December
		2014	2013
		<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
CURRENT LIABILITIES			
Trade and bills payables	14	1,131,336	714,365
Other payables, advances from customers and accruals		433,370	241,700
Interest-bearing bank borrowings	15	1,496,078	447,239
Income tax payable		25,180	5,164
Provision		21,088	8,541
Defined benefit plan liabilities		310	—
Dividends payable		<u>8</u>	<u>8</u>
Total current liabilities		<u>3,107,370</u>	<u>1,417,017</u>
NET CURRENT ASSETS		<u>857,490</u>	<u>1,220,075</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,385,362</u>	<u>2,046,651</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	15	762,118	—
Provision		53,860	—
Defined benefit plan liabilities		12,870	—
Other liabilities		9,041	—
Deferred tax liabilities		<u>219,813</u>	<u>19,159</u>
Total non-current liabilities		<u>1,057,702</u>	<u>19,159</u>
Net assets		<u><u>2,327,660</u></u>	<u><u>2,027,492</u></u>
EQUITY			
Equity attributable to owners of the parent			
Share capital		11,010	10,054
Reserves		2,285,894	1,931,782
Proposed final dividend	9	<u>—</u>	<u>55,045</u>
Non-controlling interests		<u>2,296,904</u>	<u>1,996,881</u>
		<u>30,756</u>	<u>30,611</u>
Total equity		<u><u>2,327,660</u></u>	<u><u>2,027,492</u></u>

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by International Accounting Standards Board (the "IASB"). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for derivative financial instruments and available-for-sale investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 (2011)	<i>Investment Entities</i>
Amendments to IAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to IAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
IFRIC 21	<i>Levies</i>
Amendment to IFRS 2 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Definition of Vesting Condition¹</i>
Amendment to IFRS 3 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Accounting for Contingent Consideration in a Business Combination¹</i>
Amendment to IFRS 13 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Short-term Receivables and Payables</i>
Amendment to IFRS 1 included in <i>Annual Improvements 2011-2013 Cycle</i>	<i>Meaning of Effective IFRSs</i>

¹ Effective from 1 July 2014

- (a) Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (2011). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in IFRS 10.
- (b) The IAS 32 Amendments clarify the meaning of “currently has a legally enforceable right to set off” for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

- (c) The IAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.
- (d) IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group did not have any liabilities for the levies in prior years.
- (e) The IFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.
- (f) The IFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 or IAS 39. The amendment has had no impact on the Group.
- (g) The IFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

2.3 NEW AND REVISED IFRSS AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKAS 1	<i>Presentation of Financial Statements — Disclosure Initiative²</i>
IFRS 9	<i>Financial Instruments⁴</i>
Amendments to IFRS 10 and IFRS 12 and IAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture²</i>
Amendments to IFRS 10, IFRS 12 and IAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception²</i>
Amendments to IFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations²</i>
IFRS 14	<i>Regulatory Deferral Accounts⁵</i>
IFRS 15	<i>Revenue from Contract with Customers³</i>
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation²</i>
Amendments to IAS 16 and IAS 41	<i>Agriculture: Bearer Plants²</i>
Amendments to IAS 19	<i>Defined Benefit Plans: Employee Contributions¹</i>
Amendments to IAS 27 (2011)	<i>Equity Method in Separate Financial Statements²</i>
<i>Annual Improvements 2010-2012 Cycle</i>	Amendments to a number of IFRSs ¹
<i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of IFRSs ¹
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of IFRSs ²

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 January 2018

⁵ Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also

introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on 1 January 2017 and is currently assessing the impact of IFRS 15 upon adoption.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

IAS 19 *Employee Benefits* clarifies that market depth of high quality corporate bonds used for discounting the post-employment benefit obligation for defined benefit plans is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption.

The *Annual Improvements to IFRSs 2010-2012 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

IFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

3. OPERATING SEGMENT INFORMATION

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

- (a) Overseas — Strollers and accessories segment, which engages in the research, design, manufacturing and selling of strollers and accessories under the Group's own brands and third parties' brands;
- (b) Overseas — Car seats and accessories segment, which engages in the research, design, manufacturing and selling of car seats and accessories under the Group's own brands and third parties' brands; and
- (c) Overseas — Other durable juvenile products segment, which engages in the research, design, manufacturing and selling of cribs and accessories and other children's products under the Group's own brands and third parties' brands;
- (d) Domestic — Strollers and accessories segment, which engages in sourcing and distributing strollers;
- (e) Domestic — Car seats and accessories segment, which engages in sourcing and distributing car seats; and
- (f) Domestic — Other durable juvenile products segment, which engages in sourcing and distributing durable juvenile products including cribs and accessories and other children's products.

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.

Intersegment sales are transacted with reference to the costs of the overseas — strollers and accessories and overseas — other durable juvenile products segments.

Year ended 31 December 2014

	Overseas				Domestic				Consolidated
	(HK\$'000)				(HK\$'000)				(HK\$'000)
	Strollers and accessories	Car seats and accessories	Other durable juvenile products	Subtotal	Strollers and accessories	Car seats and accessories	Other durable juvenile products	Subtotal	
Segment revenue									
Sales to external customers	1,695,637	1,617,102	1,336,616	4,649,355	670,912	130,453	664,872	1,466,237	6,115,592
Intersegment sales	<u>251,175</u>	<u>68,416</u>	<u>451,898</u>	<u>771,489</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>771,489</u>
	1,946,812	1,685,518	1,788,514	5,420,844	670,912	130,453	664,872	1,466,237	6,887,081
<i>Reconciliation:</i>									
Elimination of intersegment Sales									<u>(771,489)</u>
Revenue									<u>6,115,592</u>
Segment results	390,283	509,278	216,464	1,116,025	214,167	62,892	134,451	411,510	1,527,535
<i>Reconciliation:</i>									
Other income									97,147
Corporate and other unallocated expenses									(1,476,644)
Other expenses									(3,234)
Finance cost									(48,110)
Finance income									8,606
Share of losses of a joint venture									<u>(31)</u>
Profit before tax									<u>105,269</u>
	Overseas				Domestic				Consolidated
	(HK\$'000)				(HK\$'000)				(HK\$'000)
	Strollers and accessories	Car seats and accessories	Other durable juvenile products	Subtotal	Strollers and accessories	Car seats and accessories	Other durable juvenile products	Subtotal	
Other segment information:									
Impairment losses recognised in the statement of profit or loss	23,009	—	4,247	27,256	410	—	—	410	27,666
Impairment losses reversed in the statement of profit or loss	—	2,102	—	2,102	—	—	—	—	2,102
Depreciation and amortisation	54,511	34,241	29,188	117,940	21,613	2,778	14,547	38,938	156,878

Year ended 31 December 2013

	Overseas				Domestic				Consolidated
	(HK\$'000)				(HK\$'000)				(HK\$'000)
	Strollers and accessories	Car seats and accessories	Other durable juvenile products	Subtotal	Strollers and accessories	Car seats and accessories	Other durable juvenile products	Subtotal	
Segment revenue:									
Sales to external customers	1,260,047	502,697	1,068,512	2,831,256	608,051	84,888	664,599	1,357,538	4,188,794
Intersegment sales	<u>324,121</u>	<u>53,618</u>	<u>194,483</u>	<u>572,222</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>572,222</u>
	1,584,168	556,315	1,262,995	3,403,478	608,051	84,888	664,599	1,357,538	4,761,016
<i>Reconciliation:</i>									
Elimination of intersegment Sales									<u>(572,222)</u>
Revenue									<u>4,188,794</u>
Segment results	265,950	121,907	186,535	574,392	197,427	46,224	142,546	386,197	960,589
<i>Reconciliation:</i>									
Other income									48,593
Corporate and other unallocated expenses									(806,940)
Other expenses									(11,056)
Finance cost									(6,826)
Finance income									10,590
Share of losses of a joint venture									<u>(22)</u>
Profit before tax									<u>194,928</u>
	Overseas				Domestic				Consolidated
	(HK\$'000)				(HK\$'000)				(HK\$'000)
	Strollers and accessories	Car seats and accessories	Other durable juvenile products	Subtotal	Strollers and accessories	Car seats and accessories	Other durable juvenile products	Subtotal	
Other segment Information:									
Impairment losses recognised in the statement of profit or loss	—	—	3,675	3,675	—	—	—	—	3,675
Impairment losses reversed in the statement of profit or loss	109	—	—	109	270	—	—	270	379
Depreciation and amortisation	42,654	12,618	20,300	75,572	20,583	2,131	12,626	35,340	110,912

Geographical information

(a) Revenue from external customers

	European market (HK\$'000)	North America market (HK\$'000)	Mainland China market (HK\$'000)	Other overseas markets (HK\$'000)	Total (HK\$'000)
Year ended 31 December 2014					
Segment revenue:					
Sales to external customers	<u>2,012,109</u>	<u>1,989,479</u>	<u>1,466,237</u>	<u>647,767</u>	<u>6,115,592</u>
Year ended 31 December 2013					
Segment revenue:					
Sales to external customers	<u>1,015,262</u>	<u>1,126,952</u>	<u>1,357,538</u>	<u>689,042</u>	<u>4,188,794</u>

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

(b) Non-current assets

	2014 (HK\$'000)	2013 (HK\$'000)
Mainland China	796,746	811,756
North America	982,387	—
European	<u>728,490</u>	<u>—</u>
	<u>2,507,623</u>	<u>811,756</u>

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

Information about a major customer

Details of sales to a major customer accounting for 10% or more of the total net sales of the Group are as follows:

	2014 (HK\$'000)	2013 (HK\$'000)
Revenue	<u>1,149,120</u>	<u>1,294,894</u>

The above sales to a customer were derived from sales by the overseas — strollers and accessories and overseas — other durable juvenile products segments, including sales to a group of entities which are known to be under common control with that customer.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	Group 2014 (HK\$'000)	2013 (HK\$'000)
Revenue:		
Sales of goods	<u>6,115,592</u>	<u>4,188,794</u>
Other income and gains:		
Government grants (note (a))	48,884	27,540
Gain on sales of materials	1,944	12,422
Gain on wealth investment products (note (b))	5,586	4,079
Compensation income (note (c))	5,683	3,916
Service fee income (note (d))	1,687	480
Foreign exchange differences, net	650	—
Net fair value gains on derivative instruments not qualifying as hedges	29,077	—
Others	<u>3,636</u>	<u>156</u>
Total	<u>97,147</u>	<u>48,593</u>

Note (a): The amount represents subsidies received from local government authorities in connection with certain financial support to local business enterprises. These government subsidies mainly comprised subsidies for export activities, subsidies for development, and other miscellaneous subsidies and incentives for various purposes. The amount of these government grants is determined solely at the discretion of the relevant government authorities and there is no assurance that the Group will continue to receive these government grants in the future. There were no unfulfilled conditions or contingencies attaching to these grants and they were recognised in the year of receipt or obtaining the relevant approvals.

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.

Note (d): The amount represents the service fee income for information technology services and factory administrative services provided to third parties.

5. FINANCE INCOME

	Group	
	2014	2013
	(HK\$'000)	(HK\$'000)
Interest income on bank deposits	<u>8,606</u>	<u>10,590</u>

6. FINANCE COSTS

	Group	
	2014	2013
	(HK\$'000)	(HK\$'000)
Interest on bank loans, wholly repayable within five years	38,386	6,826
Interest on bank loans, repayable after five years	<u>9,724</u>	<u>—</u>
	<u>48,110</u>	<u>6,826</u>

7. PROFIT BEFORE TAX

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

	Group	
	2014	2013
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Cost of inventories sold	4,803,516	3,442,170
Cost of services provided	1,391	2,534
Depreciation of items of property, plant and equipment	139,722	103,525
Amortisation of intangible assets	14,923	4,880
Amortisation of land lease payments	2,233	2,507
Research and development costs ("R&D")	240,146	115,029
Lease payments under operating leases in respect of properties	81,288	61,633
Auditors' remuneration	8,106	4,386
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	1,169,881	815,371
Pension scheme contributions	38,268	32,332
Pension scheme costs (defined benefit plans)	575	—
Share option expense	<u>10,528</u>	<u>4,671</u>
	<u>1,219,252</u>	<u>847,703</u>
Transaction costs for acquisition of subsidiaries	64,428	—
Net foreign exchange (gain)/ losses	(650)	9,416
Impairment of trade receivables	6,510	9
Write-down of inventories	19,054	3,287
Product warranties	18,161	5,217
Net fair value gains on derivative instruments not qualifying as hedges	(29,077)	—
Loss on disposal of items of property, plant and equipment	318	276
Bank interest income	<u>(8,606)</u>	<u>(10,590)</u>

8. INCOME TAX

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

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year.

State income tax and federal income tax of the Group’s subsidiary 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 year. The state income tax rates are 5% and 9.99% in the respective states where the subsidiary operates, and the federal income tax rates are ranging from 34% to 35% on a progressive basis.

The Group’s subsidiary registered in Japan is subject to income tax based on the taxable income at rates ranging from 10% to 25.5% 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 30%.

The Group’s subsidiaries registered in the Netherlands are subject to income tax based on the taxable income at rates ranging from 20% to 25% on a progressive basis.

All of the Group’s subsidiaries registered in the People’s Republic of China (the “PRC”), which only have operations in Mainland China, are subject to PRC enterprise income tax (“EIT”) on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws. On 16 March 2007, the PRC government promulgated the Law of the PRC on Enterprise Income Tax (the “EIT Law”), which was effective from 1 January 2008. On 6 December 2007, the State Council issued the Implementation Regulation of the EIT Law. The EIT Law and the Implementation Regulation changed the tax rate of the PRC enterprise from 33% to 25% from 1 January 2008 onwards.

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 a “High and New Technology Enterprise” and was subject to a preferential tax rate of 15% from 2014 to 2016.

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

	Group	
	2014	2013
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Current income tax - PRC		
- Income tax for the year	14,215	10,374
- Overprovision in prior years	<u>(532)</u>	<u>(1,630)</u>
	13,683	8,744
United States state and federal income taxes	3,147	1,450
Japan income tax	24	26
Netherlands income tax	96	98
Hong Kong profits tax	12,778	13,213
German Income tax	19,219	—
Deferred income tax	<u>(1,402)</u>	<u>268</u>
Income tax expense reported in the statement of comprehensive income	<u>47,545</u>	<u>23,799</u>

9. DIVIDENDS

	2014	2013
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Final dividend proposed subsequent to the reporting period — nil (2013: HK5 cents)	<u>—</u>	<u>55,045</u>
	<u>—</u>	<u>55,045</u>

The Board did not recommend the payment of any dividend for the year ended 31 December 2014 (2013: HK5 cents).

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,093,783,000 in issue during the year (2013: 1,003,652,000).

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

The calculation of earnings per share is based on:

	2014 (HK\$'000)	2013 (HK\$'000)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>57,475</u>	<u>171,213</u>
	2014 ('000)	2013 ('000)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,093,783	1,003,652
Effect of dilution - weighted average number of ordinary shares:		
Share options	<u>7,294</u>	<u>6,267</u>
Total	<u>1,101,077</u>	<u>1,009,919</u>

11. INVENTORIES

	Group	
	2014	2013
	(HK\$'000)	(HK\$'000)
Raw materials	496,053	230,317
Work in progress	162,843	122,082
Finished goods	<u>876,375</u>	<u>445,584</u>
	<u><u>1,535,271</u></u>	<u><u>797,983</u></u>

12. TRADE AND NOTES RECEIVABLES

	Group	
	2014	2013
	(HK\$'000)	(HK\$'000)
Trade receivables	974,383	725,049
Notes receivable	<u>6,792</u>	<u>13,451</u>
	981,175	738,500
Impairment of the trade receivables	<u>(7,866)</u>	<u>(475)</u>
	<u><u>973,309</u></u>	<u><u>738,025</u></u>

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

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

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

	Group	
	2014	2013
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Within 3 months	921,335	700,473
3 to 6 months	31,257	19,416
6 months to 1 year	13,719	4,332
Over 1 year	<u>206</u>	<u>353</u>
	<u><u>966,517</u></u>	<u><u>724,574</u></u>

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2014	2013
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
At beginning of year	475	452
Addition from acquisition	1,246	—
Recognition of impairment for the year	6,510	9
Amounts written off	(365)	—
Translation adjustments	<u>—</u>	<u>14</u>
At end of year	<u><u>7,866</u></u>	<u><u>475</u></u>

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK\$7,866,000 (2013: HK\$475,000) with a carrying amount before provision of HK\$7,923,000 (2013: HK\$481,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in both interest and/or principal payments and only a portion of the receivables is expected to be recovered.

An aged analysis of trade receivables of the Group that are neither individually nor collectively considered to be impaired is as follows:

	Group	
	2014	2013
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Neither past due nor impaired	859,123	603,119
Less than 1 month past due	72,621	103,484
1 to 2 months past due	19,546	8,893
2 to 3 months past due	12,791	6,026
Over 3 months and within 1 year past due	<u>2,436</u>	<u>3,052</u>
At end of year	<u><u>966,517</u></u>	<u><u>724,574</u></u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

13. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2014	2013
	(HK\$'000)	(HK\$'000)
Unlisted investments, at fair value	<u>206,389</u>	<u>127,830</u>

The above investments consist of investments in wealth investment products which were designated as available-for-sale financial assets and have maturity within three month and coupon rates ranging from 2.45% to 3.80% per annum.

The wealth investment products all matured in January 2015 with principals and interests fully received.

14. TRADE AND BILLS PAYABLES

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

	Group	
	2014	2013
	(HK\$'000)	(HK\$'000)
Within 3 months	973,967	609,094
3 to 12 months	151,608	98,586
1 to 2 years	1,283	4,938
2 to 3 years	2,643	998
Over 3 years	<u>1,835</u>	<u>749</u>
	<u>1,131,336</u>	<u>714,365</u>

The trade and bills payables are non-interest-bearing and normally settled on terms of 60 to 90 days.

15. INTEREST-BEARING BANK BORROWINGS

				Group			
		2014		2013			
		<i>Effective interest rate (%)</i>	<i>Maturity (HK\$'000)</i>	<i>Effective interest rate (%)</i>	<i>Maturity (HK\$'000)</i>		
Current							
Bank borrowings-secured by intra-group trade receivables	Note (a)	1.93-2.72	2015	528,208	1.70-3.24	2014	447,239
Bank borrowings-secured by intra-group by time deposits	Note (b)	2.20	2015/1/27	364,794			—
Bank borrowings-secured by an intra-group standby letter of credit and intra-group time deposits	Note (c)	1.33	2015/1/9	193,910			—
Bank borrowings-guaranteed	Note (d)	1.53-2.07	2015	193,910			—
Bank borrowings-unsecured		1.58-1.79	2015	155,127			—
Bank borrowings-secured by intra-group standby letter of credit	Note (e)	2.25	2015/5/26	58,173			—
Current portion of long-term bank loans-secured by inventories and trade receivables	Note (f)	2.50	2015	1,011			—
Current portion of long-term bank loans- unsecured		2.25	2015	<u>945</u>			<u>—</u>
				1,496,078			447,239
Non-current							
Bank borrowings-secured by inventories and trade receivables	Note (f)	2.50	2016/12/31	964			—
Bank borrowings-unsecured		2.25	2016/9/1	709			—
Bank borrowings-guaranteed by GIHL and secured by an intra-group standby letter of credit	Note (g)	Libor+2.5	2020/7/22	<u>760,445</u>			<u>—</u>
				<u>762,118</u>			<u>—</u>
Total				<u>2,258,196</u>			<u>447,239</u>

Note (a): Short-term bank borrowings were obtained from third party financial institutions. As at 31 December 2014, a subsidiary of the Group pledged its trade receivables of approximately HK\$577,035,000 (31 December 2013: HK\$479,772,000) to secure certain of the Group's bank loans and these trade receivables were eliminated on group level.

Note (b): Short-term bank borrowings were secured by the pledge of time deposits of approximately HK\$120,421,000.

Note (c): Short-term bank borrowings were secured by a standby letter of credit issued by GCPC and secured by the pledge of time deposits of GCPC amounting to HK\$45,386,000.

Note (d): Short-term bank borrowings were guaranteed by GIHL.

Note (e): Short-term bank borrowings were secured by a standby letter of credit issued by GCPC.

Note (f): Long-term bank borrowings were secured by inventories for a net carrying value of approximately HK\$84,602,000.

Note (g): Long-term bank borrowings were guaranteed by GIHL and secured by standby letter of credit from Bank of China Suzhou branch issued by GCPC.

	Group	
	2014	2013
	(HK\$'000)	(HK\$'000)
Analysed into:		
Bank loans repayable:		
Within one year	1,496,078	447,239
In the second year	1,673	—
In the third year to six year, inclusive	<u>760,445</u>	<u>—</u>
	<u>2,258,196</u>	<u>447,239</u>

16. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS OVERVIEW

- **Overview**

2014 has been a milestone year in our history. While continuing to fully commit to support blue-chip customers, we upgraded our business into a ‘One-Dragon, Vertically Integrated Business Model’ through two acquisitions and significant development of direct to retail business in overseas markets. We have restructured our organisation and management team to support our committed growth strategy with blue-chip customers and through our own strategic brands, and retailers’ private labels. We implemented the BOOM strategy in the China market while continuing to execute our ‘pull’ marketing strategy.

In 2014, our revenue amounted to approximately HK\$6,115.6 million, representing an approximately 46.0% increase from 2013, including organic growth of approximately 13.0%. Net income amounts to approximately HK\$57.7 million, indicating an approximately 66.3% decline, which was mainly attributable to acquisition-related costs amounting to approximately HK\$118.6 million.

- **China market — BOOM strategy implemented together with continuing execution of ‘pull’ marketing strategy**

In China market, we recorded a revenue growth of approximately 8.0% to approximately HK\$1,466.2 million in 2014. Our revenue growth rate accelerated from approximately 4.2% in 2013 and approximately 5.6% in the first half of 2014 to approximately 11.3% in the second half of 2014 on year-on-year basis.

During the year, we implemented the BOOM strategy while continuing to execute our proactive ‘pull’ marketing strategy.

- **BOOM strategy**

In order to adapt to the commercial revolution driven by E-commerce in China and to take advantage of the opportunities generated from this evolving market, we formed and launched a BOOM strategy in 2014 in China. ‘B’ stands for brand and the two ‘O’'s refer to online and offline, respectively. ‘M’ means mobile terminal. Under this strategy, we will apply our brand-driven business model, enhancing our leading positions

both online and offline. To maximise the rapid development of mobile internet, we will adapt ourselves to connect and interact with end consumers directly through social media using mobile phones and tablets, building an ‘eco system’ of fans for our brands.

➤ **Retail expansion in China**

We continue to execute our ‘pull’ marketing strategy in China market to set up a retail driven distribution system. We have been working with distributors to develop a chain of specialty stores titled ‘gb e-Family好孩子e家’ with a brand new professional layout of our products that provides more professional services to our consumers. We increased our Brand awareness through introduction of gb e Family stores which were the first kind of brand exclusive stores in our industry in Tier 3 to 5 cities which historically lacked such stores. They also enhanced the synergy between online and offline channels where offline stores provide to online customers services including installation and repair. We worked with our distributors to open 350 gb e Family stores in 2014 and revenue from these stores amounted to approximately HK\$109.9 million. We are planning another 100 in 2015. We also introduced a ‘Tripartite agreement’ between the distributor, retailer and us. We previously only signed two party contracts between the distributor and us. The new agreement and arrangement provide us with enhanced influence over retailers including setting retail sales targets and also increased our share of shelf space. In 2014, more than 1,789 ‘Tripartite agreements’ were signed which contributed approximately HK\$203.2 million of revenue and we expect the total number of Tripartite agreements to increase significantly in 2015 to 5,000. Furthermore, we took the initiatives to work with distributors together in organising small regional trade fairs to penetrate further into the maternity retail stores in Tier 3 and 4 cities. This complements our existing large provincial trade fairs organised by us which are more focused on the maternity retail stores in Tier 1 and 2 cities. In 2014, we held 511 small regional trade fairs which contributed approximately HK\$147.7 million to total revenue.

➤ **E-commerce**

E-commerce continues to grow in China rapidly. We enhanced our partnerships with all 5 major online retail platforms. In respect of market share in durable juvenile products, our ‘gb好孩子’ Brand was ranked No.1 in terms of value and our Brand ‘Happy Dino小龍哈彼’ was ranked No.1 in terms of volume sold on 4 out of the 5 major platforms.

Our revenue from E-commerce channels increased by approximately 52.5% to approximately HK\$414.2 million in 2014, representing approximately 28.3 % of total revenue from the China market. We took many new initiatives, for example, we coordinated a platform’s online and offline channels where approximately 200 retail (offline) stores were included in our after sale service system. New development was to utilise another platform’s marketing strength to draw potential customers’ attention to our product. In addition, we provided exclusive products to a platform in order to procure the counterparties to sign bulk orders with us. During the year 2014, we have cooperated with a famous E-commerce platform on which the counterparty ordered 20,000 products of a single model.

• **Overseas Markets: Three-pronged Approach Achieved solid success**

In 2014, we upgraded our overseas market business model through adopting a three-pronged approach:

➤ **Blue-chip business/OPM**

In 2014, we developed new customers and enhanced our cooperation with existing blue-chip customers. While experiencing decline in orders from our largest customer as a result of its acquisition of a manufacturer, our revenue from blue-chip customers amounts to approximately HK\$1,477.9 million in 2014, representing an approximately 15.2% increase. Revenue from our largest customer decreased by approximately 11.3%, but was offset by growth of approximately 55.1% from other blue-chip customers representing revenue of approximately HK\$1,328.8 million. Following industry events including our merger and acquisition initiatives, the global supply chain of the juvenile product industry commenced major restructuring. This provides us with opportunities as well as challenges. As the world’s largest juvenile products manufacturer, we are committed to

deliver excellent service to our blue-chip customers. Our Chairman and CEO Mr. Song Zhenghuan, with support from executive director Mr. Michael Nan Qu, will continue to directly manage relationships with these customers. There are further customer development opportunities in this sector arising from the industry supply chain restructuring.

➤ **Direct to Retailer Business**

In 2014, we achieved great progress in our direct to retailers business in the US market. Following the introduction of the ‘Urbini’ Brand in the fourth quarter of 2013 which is exclusive to Walmart, we partnered with Toys “R” Us to bring the ‘gb’ Brand to the US market. We continued to provide private label products to many retailers. We introduced the Rollplay Brand of E-cars successfully to the market working directly with all major retailers in North America market. We recorded approximately HK\$391.0 million revenue from direct to retailers businesses (excluding the acquired business), representing an increase of approximately 174.1%. In North America, sales under our own brands were approximately HK\$249.3 million representing an increase of approximately 439.8% from 2013.

➤ **Acquisitions**

In order to complete the upgrade to a ‘One-Dragon, Vertically Integrated Business Model’ (see ‘Business Model Upgrade’ section for more details), we made two acquisitions during the year. These allowed us to expand our Brand portfolio, to have strong resources in all aspects of our business and to have localised operations.

In January 2014, we acquired Cybex, a premium juvenile product brand headquartered in Germany. Cybex’s mid-to-high Brand positioning supplemented our brand marketing capability and enhanced our research & development capabilities in car seats section. The acquisition also expanded our distribution channels in Europe and added premium car seats to our product portfolio. The subsequent acquisition of Evenflo completed in July 2014 further enhanced our global market footprint. Evenflo, a mid-end to value Brand, further expands our Brand portfolio and has mature car seat product ranges and technical and manufacturing expertise. The acquisition also strengthened our distribution capabilities and operations in the North American market and we were able to quickly gain access to a mature retail, operations and service platform.

Historically our Group's strength has mainly been with strollers. Together with the superior strengths of the two acquired companies in product design, the research and development of car seats, and also development of products for early childhood under the 'Exersaucer' Brand add to our capabilities as a leading global full range durable juvenile producer.

We have quickly integrated Cybex and Evenflo into the Goodbaby Group, creating high efficiencies and synergies between our business units globally. For example, Evenflo supplemented our research & development capabilities and added 7 new products in 2014. Consequently, Evenflo enhanced its position in the US market. As a result of the integration, Cybex launched 12 new products at the 'Kind & Jugend' show in Cologne, Germany, in September 2014. During the latter part of the year and beginning of 2015, Cybex continued to improve access to markets through direct distribution to retailers by acquiring a distributor in Scandinavia and opening a new direct distribution office in Spain, completing the European network. In North America, Evenflo provides logistics and warehousing services to all Group brands.

On separate statement basis, total post-acquisition revenue of Cybex in 2014 was approximately HK\$730.3 million representing an approximately 32.1% increase from same period in the previous year and total post-acquisition revenue of Evenflo in 2014 amounted to approximately HK\$697.3 million, representing an approximately 6.9% increase from same period in the previous year and recovering from an approximately 8.0% year-on-year decline of pre-acquisition revenue in 2014.

- **Business Model Upgrade**

- **Overseas market**

We have also upgraded our business model in the overseas market following acquisitions of Cybex and Evenflo and the organic growth of Urbini and 'gb' brands. Historically, we have been mainly an OPM producer, supplying products and technologies to leading international brands which in turn distribute through retailers. Now, whilst maintaining close relationship with brands, we also trade through our own full range of brands and distribute directly to retailers. The advance of social networks and smart phones provides us with the opportunities to create fans of our brands within consumers.

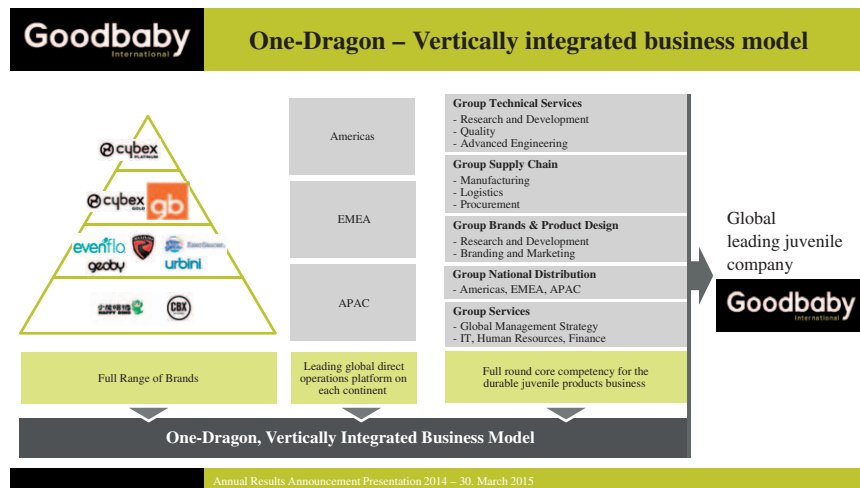


➤ Own Brand ‘One Dragon’ vertically integrated Business Model

We now operate under a ‘One-Dragon Vertically Integrated Business Model’, combining Brand, Research & Development, manufacturing, and supply chain. We have strategic brands across key geographical areas and cover all price ranges, with localised operations and leading direct distribution platforms. These brands have their own unique core competencies and are supported through our established technology and Research & Development capabilities.

Through the acquisitions, our manufacturing capacity has increased and geographical coverage has widened. In addition to our existing manufacturing facilities in China, we now have state-of-art manufacturing facilities in North America and Mexico. Product research and development capabilities have also been improved and enhanced and now we have 8 research and development centres and 450 research and development staff worldwide. The product testing laboratory in the US complements our Kunshan testing laboratory. Our research and development capabilities allow us to respond to the market more accurately, rapidly, and to provide high quality products that are in line with market demands.

We became one of the world’s largest durable juvenile product companies. Our Group revenue would have been approximately HK\$7,011.0 million in 2014 if we were to consolidate 2014 full year revenue of the two acquired businesses. Revenue from our own strategic Brand business would contribute approximately 62.3% of the total consolidated revenue. We lead the industry by having unmatched capabilities and a superior business model.



- **Organisational Restructure for Growth**

- **Our new organisational structures:**

As a result of following a M&A approach to expand our international business, we improved our organisational structure and are now managed through five functions which are technical services, supply chain, brands, national and international sales, and general services including finance, human resources and IT; and three regions which are Americas, Europe and Asia. The purposes of the change are to improve service to blue-chip customers, to integrate the two acquired companies into the existing businesses to form a true global company, and to support the ‘One-Dragon, Vertically Integrated Business Model’.

We have made good progress in adopting the new structure. We appointed Mr. Martin Pos as Deputy CEO and Mr. Song Zhenghuan retains as Chairman and CEO, and is now responsible for the Group’s overall strategic direction and direct management of all blue-chip customers, with the support of senior management. Mr. Michael Nan Qu (executive Director) changed his role to focus on blue-chip customers and to lead the Americas’ market. Mr. Vincent Wang is now in charge of Group technical services. We also appointed Mr. Tim Maule as Chief Commercial Officer (CCO), Mr. Erich Fuchs as Chief Supply Chain Officer (CSO) and Ms. Simone Berger as Senior Vice President (SVP) Group Human Resources. Mr. Gregory Mansker has been appointed as Chairman and CEO of the Americas’ market and CEO of Evenflo. Mr. Franki Tse is now CEO of China Production and CEO of Blue-chip Customers. Evenflo has been restructured to take advantage of group synergies, moving all production within the Group Supply Chain function.

- **Outlook**

We have entered into the second phase of our integration. We will continue to launch our strategic brands across each continent through group distribution channels. We continue to see improvements in factory efficiency in both China and the USA. We are confident that synergies will be achieved by combining the strengths of all our businesses and our colleagues from culturally diverse backgrounds. We expect enhanced revenue growth and profit improvement in 2015.

FINANCIAL REVIEW

Revenue

Total revenue of the Group increased by 46.0% from approximately HK\$4,188.8 million for the year ended 31 December 2013 to approximately HK\$6,115.6 million for the year ended 31 December 2014, of which organic growth contributed 13.0%, while the growth contributed by the acquisition of Columbus and Evenflo was 33.0%.

Revenue by Geographical Region

The table below sets out the revenue by geographical region for the periods indicated.

	For the year ended 31 December				Growth analysis by comparing 2014 with 2013	
	2014		2013			
	<i>Sales</i>	<i>% of</i>	<i>Sales</i>	<i>% of</i>	<i>Growth</i>	<i>Of</i>
	<i>(HK\$</i>	<i>Sales</i>	<i>(HK\$</i>	<i>Sales</i>		<i>which:</i>
	<i>million)</i>		<i>million)</i>			<i>organic</i>
						<i>growth</i>
European Market	2,012.1	32.9%	1,015.3	24.2%	98.2%	33.0%
North America	1,989.5	32.5%	1,127.0	26.9%	76.5%	17.0%
China	1,466.2	24.0%	1,357.5	32.4%	8.0%	8.0%
Other Overseas Markets	<u>647.8</u>	<u>10.6%</u>	<u>689.0</u>	<u>16.5%</u>	<u>-6.0%</u>	<u>-12.9%</u>
Total	<u><u>6,115.6</u></u>	<u><u>100.0%</u></u>	<u><u>4,188.8</u></u>	<u><u>100.0%</u></u>	<u><u>46.0%</u></u>	<u><u>13.0%</u></u>

For the year ended 31 December 2014, revenue from the European Market was approximately HK\$2,012.1 million in total, of which revenue from the Group's existing businesses was approximately HK\$1,350.4 million and revenue from the acquired businesses was approximately HK\$661.7 million. Revenue from the North American market was approximately HK\$1,989.5 million in total, of which revenue from the Group's existing businesses was approximately HK\$1,318.3 million and revenue from the acquired businesses was approximately HK\$ 671.2 million. Revenue from China was approximately HK\$1,466.2 million in total, which was generated from the Group's existing businesses. Revenue from Other Overseas Markets was approximately HK\$647.8 million in total, of which revenue from the Group's existing businesses was approximately HK\$599.8 million and revenue from the acquired businesses was approximately HK\$48.0 million.

Revenue by Products

The table below sets out revenue by product categories for the periods indicated.

	For the year ended 31 December				Growth analysis by comparing 2014 with 2013	
	2014		2013		Growth	Of which: organic growth
	<i>Sales (HK\$ million)</i>	<i>% of Sales</i>	<i>Sales (HK\$ million)</i>	<i>% of Sales</i>		
Strollers and accessories	2,366.5	38.7%	1,868.1	44.6%	26.7%	25.5%
Car seats and accessories	1,747.6	28.6%	587.6	14.0%	197.4%	9.4%
Other durable juvenile products	<u>2,001.5</u>	<u>32.7%</u>	<u>1,733.1</u>	<u>41.4%</u>	<u>15.5%</u>	<u>0.8%</u>
Total	<u><u>6,115.6</u></u>	<u><u>100.0%</u></u>	<u><u>4,188.8</u></u>	<u><u>100.0%</u></u>	<u><u>46.0%</u></u>	<u><u>13.0%</u></u>

For the year ended 31 December 2014, revenue from strollers and accessories was approximately HK\$2,366.5 million in total, of which revenue from the Group's existing businesses was approximately HK\$2,344.8 million and revenue from the acquired businesses was approximately HK\$21.7 million. Revenue from car seats and accessories was approximately HK\$1,747.6 million in total, of which revenue from the Group's existing businesses was approximately HK\$642.6 million and revenue from the acquired businesses was approximately HK\$1,105.0 million. Revenue from other durable juvenile products was approximately HK\$2,001.5 million in total, of which revenue from the Group's existing businesses was approximately HK\$1,747.4 million and revenue from the acquired businesses was approximately HK\$254.1 million.

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales increased by 42.1% from approximately HK\$3,228.2 million for the year ended 31 December 2013 to approximately HK\$4,588.1 million for the year ended 31 December 2014. Cost of sales from the Group's existing businesses was approximately HK\$3,666.0 million, cost of sales from the acquired businesses was approximately HK\$913.0 million, and that from PPA was approximately HK\$9.1 million.

As a result of the foregoing, gross profit increased by 59.0% from approximately HK\$960.6 million for the year ended 31 December 2013 to approximately HK\$1,527.5 million for the year ended 31 December 2014, of which organic growth was 11.3%, while the growth contributed by acquisition was 47.7%. As a result, the gross profit margin increased from approximately 22.9% for the year ended 31 December 2013 to approximately 25.0% for the year ended 31 December 2014.

Other Income

Other income increased by HK\$48.5 million to approximately HK\$97.1 million for the year ended 31 December 2014 from approximately HK\$48.6 million for the year ended 31 December 2013, which was mainly attributable to an increase in other income, such as foreign exchange forward contracts gain and government subsidies etc.

Selling and Distribution Costs

The selling and distribution costs primarily consist of promotional expenses, salaries and transportation costs. The selling and distribution costs increased by 73.9%, or approximately HK\$330.5 million, to approximately HK\$777.5 million for the year ended 31 December 2014 from approximately HK\$447.0 million for the year ended 31 December 2013. In particular, the sales expenses from the Group's existing businesses increased by approximately HK\$90.4 million (mainly an increase in staff expenses and marketing expenses as a result of the promotion of the active marketing strategy), sales expenses incurred by the acquired businesses were approximately HK\$235.0 million, and additional depreciation and amortization as a result of the recognition or revaluation of the acquired assets was approximately HK\$5.1 million.

Administrative Expenses

The administrative expenses primarily consist of salaries, research and development costs, and office expenses.

The administrative expenses increased by 94.2%, or approximately HK\$339.2 million, from approximately HK\$360.0 million for the year ended 31 December 2013 to approximately HK\$699.2 million for the year ended 31 December 2014. In particular, the administrative expenses incurred by the Group's acquired businesses were approximately HK\$209.4 million, expenses relating to the acquisitions were HK\$72.5 million, while the administrative expenses from the Group's existing businesses increased by approximately HK\$57.3 million, mainly including an increase in research and development expenses and staff expenses.

Other Expenses

Other expenses decreased to approximately HK\$3.2 million for the year ended 31 December 2014 from approximately HK\$11.1 million for the year ended 31 December 2013. The decrease was mainly due to a decrease in exchange losses.

Operating Profit

The operating profit decreased by 24.3%, or HK\$46.4 million, from approximately HK\$191.2 million for the year ended 31 December 2013 to

approximately HK\$144.8 million for the year ended 31 December 2014. In particular, the profit decreased by approximately HK\$ 86.8 million due to the expenses and costs incurred by acquisition, including the direct expenses incurred by acquisition and the increase in costs and expenses as a results of the amortization of the newly acquired assets during acquisition.

Finance Income

The finance income decreased from approximately HK\$10.6 million for the year ended 31 December 2013 to approximately HK\$8.6 million for the year ended 31 December 2014, and all finance income was interest income from bank deposits.

Finance Costs

The finance costs increased from approximately HK\$6.8 million for the year ended 31 December 2013 to approximately HK\$48.1 million for the year ended 31 December 2014. In particular, the finance costs amounted to approximately HK\$31.8 million due to new bank loans as a results of acquisition.

Profit before Tax

As a result of the foregoing, the profit before tax of the Company (representing the total sum of gross profit, other income, administrative expenses, selling and distribution costs, other expenses, finance costs and finance income) decreased by approximately 46.0% from approximately HK\$ 194.9 million for the year ended 31 December 2013 to approximately HK\$105.3 million for the year ended 31 December 2014.

Income Tax Expenses

The income tax expenses were approximately HK\$47.5 million for the year ended 31 December 2014, whereas income tax were approximately HK\$23.8 million for the year ended 31 December 2013. The increase in the amount of income tax was mainly attributable to the acquisition of Columbus business by the Group.

Profit for the Period

Profit for the period decreased by 66.3% from approximately HK\$171.1 million for the year ended 31 December 2013 to approximately HK\$57.7 million for the year ended 31 December 2014.

Working Capital and Financial Resources

	As at 31 December 2014 (HK\$ million)	As at 31 December 2013 (HK\$ million)
Trade and notes receivables (including trade receivables due from related parties)	1,360.3	974.2
Trade and notes payables	1,131.3	714.4
Inventories	1,535.3	798.0
Trade and notes receivables turnover days ⁽¹⁾	70	81
Trade and notes payables turnover days ⁽²⁾	73	85
Inventories turnover days ⁽³⁾	93	80

Notes:

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

The balance of trade and notes receivables increased by HK\$386.1 million from approximately HK\$974.2 million as at 31 December 2013 to approximately HK\$1,360.3 million as at 31 December 2014. The increase was attributable to the increase of approximately HK\$119.9 million brought by the existing businesses of the Group and the balance of trade and notes receivables of approximately HK\$266.2 million brought by the businesses acquired by the Group. The balance of trade and notes payables increased by HK\$416.9 million from approximately HK\$714.4 million as at 31 December 2013 to approximately HK\$1,131.3 million as at 31 December 2014. The increase was attributable to the increase of approximately HK\$166.1 million brought by the existing businesses of the Group and the balance of approximately HK\$250.8 million brought by the businesses acquired by the Group. The balance of inventories increased by HK\$737.3 million from approximately HK\$798.0

million as at 31 December 2013 to approximately HK\$1,535.3 million as at 31 December 2014. The increase was attributable to the increase of approximately HK\$312.1 million brought by the existing businesses of the Group and the balance of approximately HK\$425.2 million brought by the businesses acquired by the Group.

Liquidity and Financial Resources

As at 31 December 2014, the Group's monetary assets, including cash and cash equivalents, time deposits, pledged time deposits and available-for-sale investments, were approximately HK\$857.6 million (as at 31 December 2013: approximately HK\$736.1 million).

As at 31 December 2014, the Group's interest-bearing bank borrowings were approximately HK\$2,258.2 million (as at 31 December 2013: approximately HK\$447.2 million), including short-term bank borrowings of approximately HK\$1,496.1 million (as at 31 December 2013: approximately HK\$447.2 million) (Note: of which, approximately HK\$302.4 million was converted to a long-term loan with a term of three years in January 2015) and long-term bank borrowings with repayment terms ranging from three to seven years of approximately HK\$762.1 million (as at 31 December 2013: nil).

Contingent Liabilities

As at 31 December 2014, the Group had no material contingent liabilities (as at 31 December 2013: nil).

Exchange Rate Fluctuations

The Group's sales is mainly denominated in U.S. dollars, Renminbi and Euro. The Group's procurement is mainly denominated in Renminbi and U.S. dollars, and the operating expenses of the Group are primarily paid in U.S. dollars, Renminbi and Euro. For the year ended 31 December 2014, approximately 67.1% of the Group's revenue was denominated in U.S. dollars, approximately 24.0% was denominated in Renminbi and approximately 7.4% was denominated in Euro. Approximately 73.3% of the cost of sales of the Group was denominated in Renminbi and approximately 24.7% was denominated in U.S. dollars. Approximately 69.0% of the Group's operating expenses was denominated in Renminbi; approximately 21.4% was denominated in Euro and approximately 9.6% was denominated in U.S. dollars. Our gross profit margin will be adversely affected if the U.S. dollar

depreciates against Renminbi and we are unable to increase the U.S. dollar selling prices of the products or unable to reduce the procurement prices, or if Euro depreciates against the U.S. dollar and we are unable to increase the Euro selling prices of the products or unable to reduce the procurement prices. The US Dollar depreciated by approximately 0.7% against the Renminbi, and Euro depreciated by approximately 0.7% against U.S. dollar during the year ended 31 December 2014.

During the year ended 31 December 2014, the Group entered into Euro forward foreign exchange contracts denominated in U.S. dollars to manage its risks related to Euro. As at 31 December 2014, the Group's balance of forward foreign exchange contracts was approximately US\$34.7 million, with the exchange rate of Euro to U.S. dollar ranging from 1.2510 to 1.3923.

Pledge of Assets

As at 31 December 2014, some of the Group's interest bearing bank borrowings were secured by intra-group trade receivables of approximately HK\$577.0 million (as at 31 December 2013: approximately HK\$479.8 million), time deposits of approximately HK\$165.8 million (as at 31 December 2013: nil) and inventory of approximately HK\$84.6 million (as at 31 December 2013: nil), and such trade receivables were eliminated by offsetting in the consolidated financial statements of the Group.

Gearing Ratio

As at 31 December 2014, the Group's gearing ratio (calculated by net liabilities divided by the sum of equity attributable to owners of the parent and net liabilities; the amount of net liabilities was calculated by the sum of trade and notes payables, other payables, advances from customers and accruals, interest-bearing bank loans and borrowings (current and non-current), dividends payable and amounts due to related parties, minus cash and cash equivalents) was approximately 59.6% (as at 31 December 2013: approximately 28.5%).

Employees and Remuneration Policy

As at 31 December 2014, the Group had a total number of 12,255 full-time employees (as at 31 December 2013, the Group had a total number of 11,567 full-time employees). For the year ended 31 December 2014, costs of employees, excluding directors' emoluments, amounted to a total of

HK\$1,196.7 million (for the year ended 31 December 2013, costs of employees, excluding directors' emoluments, amounted to a total of HK\$834.7 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 had adopted a share option scheme ("Share Option Scheme"). On 29 September 2014, 53,420,000 share options were granted under the Share Option Scheme. Up to 31 December 2014, 16,000 share options had lapsed and 102,000 share options had been exercised. As at 31 December 2014, the outstanding share options were 75,857,000.

Use of Proceeds from Initial Public Offering

On 24 November 2010, the Company's shares were listed on the Main Board of the Stock Exchange and raised net proceeds of approximately HK\$894.3 million. Reference is made to the updates on the use of proceeds in the Company's 2010, 2011, 2012, 2013 annual reports and 2014 interim report. As at 31 December 2014, the Company has used such proceeds in accordance with the section headed "Future Plans and Use of Proceeds" of the Company's prospectus dated 11 November 2010 (the "Prospectus").

Such proceeds have been used for the following purposes as at 31 December 2014:

	Approximate percentage of net proceeds	Approximate amount of net proceeds (in HK\$ million)	Approximate amount utilized (in HK\$ million)
Capital expenditure to expand our production capacity at our existing stroller plants in Kunshan and Ningbo, increase our production efficiency through purchases of more advanced machines, and to construct a new staff hostel and canteen	30%	268.3	268.3

	Approximate percentage of net proceeds	Approximate amount of net proceeds (in HK\$ million)	Approximate amount utilized (in HK\$ million)
Research and development and commercialization of products, including new children's car safety seat products and other new products	20%	178.8	178.8
Improvement of our general market research, product development and design capability in Kunshan and our overseas research centers	15%	134.1	134.1
Expansion and enhancement of our distribution network in China and our overseas markets	15%	134.1	134.1
Marketing and promotion of our brands	10%	89.5	89.5
Working capital and other general corporate purposes	<u>10%</u>	<u>89.5</u>	<u>89.5</u>
Total	<u>100%</u>	<u>894.3</u>	<u>894.3</u>

The proceeds were utilized in accordance with the proposed allocations as set out in the Prospectus.

OTHER INFORMATION

Acquisition, Disposal or Investment

As at 31 December 2014, the Group had no specific material investment target. Other than the acquisitions described below, the Group did not have any material acquisition and disposals of subsidiaries and associated companies, and investment during the period under review.

On 27 January 2014, Goodbaby (Hong Kong) Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with the shareholders of Columbus Holding GmbH pursuant to which Goodbaby

(Hong Kong) Limited acquired the entire issued share capital of Columbus Holding GmbH, a company incorporated in Germany, at a consideration of EUR70,711,539 (equivalent to HK\$751,069,681), settled in cash as to the amount of EUR38,513,000 (equivalent to HK\$409,069,681) and by the issue of 100,000,000 new Shares of HK\$0.01 each in the capital of the Company to the Sellers as to the amount of EUR32,198,539 (equivalent to HK\$342,000,000).

On 6 June 2014, the Company and Serena Merger Co., Inc., a wholly-owned subsidiary of the Company, entered into an agreement with WP Evenflo Group Holdings, Inc., its holders and WP Administration, LLC, as representative of these holders, pursuant to which the Company acquired WP Evenflo Group Holdings, Inc. pursuant to a merger transaction where the Serena Merger Co., Inc. merged with the WP Evenflo Group Holdings, Inc., with it surviving the merger in accordance with Delaware Law. The merger consideration paid by the Company for the acquisition was US\$143,041,667 (equivalent to HK\$1,108.8 million).

On 18 December 2014, Cybex GmbH, an indirect wholly-owned subsidiary of the Company, entered into a share sale and transfer agreement relating to NICAM A/S, the distributor company of CYBEX in Scandinavia which is based in Silkeborg of Denmark, IKAM Holding ApS, the sole shareholder of NICAM A/S, and Niels Dahl-Nielsen, the sole shareholder of IKAM Holding ApS, pursuant to which the Cybex GmbH has agreed to acquire from IKAM Holding ApS 70% of the shares of NICAM A/S and as a result Cybex GmbH will hold 70% of shares of NICAM A/S and IKAM Holding ApS will keep the remaining 30% of the shares of NICAM A/S after completion of the transactions as contemplated under the agreement. The consideration payable by Cybex GmbH for the transaction was EUR3,710,000 (equivalent to HK\$35,568,702) with EUR185,500 (equivalent to HK\$1,778,435) of which held in escrow for 15 months, subject to adjustment as provided in the agreement. As at 31 December 2014, the acquisition had not been completed. NICAM A/S became an indirect non wholly-owned subsidiary of the Company upon completion of the transaction in January 2015. As the applicable percentage ratios for the transaction are below 5%, the transactions contemplated under the agreement are exempted from reporting, announcement and shareholders' approval requirements pursuant to Chapter 14 of Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: HK5 cents).

Annual General Meeting

The annual general meeting of the Company (the “AGM”) will be held on 22 May 2015. A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

Book Close Period and Record Date

For the purpose of ascertaining the members’ eligibility to attend and vote at the AGM, the Company’s register of members will be closed during the following period:

- Latest time to lodge transfer documents for registration 4:30 p.m. on 19 May 2015 (Tuesday)
- Closure of register of members 20 May 2015 (Wednesday) to 22 May 2015 (Friday) (both days inclusive)

To be eligible to attend and vote at the AGM, all duly stamped instruments of transfer, accompanied by the relevant share certificates must be lodged for registration with the Company’s share registrar in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than the latest time as stated above.

Corporate Governance

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 (“**CG Code**”) as set out in Appendix 14 to 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 throughout the year ended 31 December 2014, the Company has complied with all the code provisions and, where appropriate, adopted the recommended best practices set out in the CG Code, save for the deviation from code provision A.2.1, which is explained as follows:-

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer (“**CEO**”) should be separate and should not be performed by the same individual.

Mr. Song Zhenghuan is an executive Director, the chairman and CEO of the Company and the founder of the Group. The Board considers that vesting the roles of the chairman and CEO of the Company in the same person is necessary because of the importance of Mr. Song in the business development efforts of the Company and it is beneficial to the business prospects and management of the Group. Furthermore, all major decisions are made in consultation with members of the Board, appropriate board committees or senior management of the Group. Throughout the year ended 31 December 2014, there are also three independent non-executive Directors on the Board offering strong, independent and differing perspectives. The Board is therefore of the view that there are adequate balance-of-power and safeguards in place.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended 31 December 2014.

Purchase, Sale and Re-purchase of Shares

There was no purchase, sale and re-purchase of any listed securities of the Company by the Company or any of its subsidiaries during the year ended 31 December 2014.

Model Code for Securities Transactions by Directors

Since the listing of the Company on the Main Board of the Stock Exchange on 24 November 2010, the Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code for the dealings in securities transactions by the Directors. Having made specific enquiries with all the Directors of the Company, they have confirmed that they complied with the required standard of dealings set out in the Model Code for the year ended 31 December 2014.

Audit Committee

As at the date of this announcement, 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 annual results of the Company for the year ended 31 December 2014 have been reviewed by the Audit Committee.

Scope of Work of the Auditor

The figures above in respect of this annual results announcement for the year ended 31 December 2014 have been agreed with the Company’s auditor, Ernst & Young, certified public accountants, to be consistent with the amounts set out in the Group’s consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

Appreciation

The chairman of the Group would like to take this opportunity to thank his fellow Directors for their invaluable advice and guidance, and to each and every one of the staff of the Group for their hard work and loyalty to the Group.

Publication of Annual Report

This annual results announcement is published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.gbinternational.com.hk>). The annual report of the Company for the year ended 31 December 2014 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available for review on the same websites in due course.

By order of the Board
Goodbaby International Holdings Limited
Song Zhenghuan
Chairman

Hong Kong, 30 March 2015

As at the date of this announcement, the executive Directors are Mr. Song Zhenghuan, Mr. Wang Haiye, Mr. Michael Nan Qu and Mr. Martin Pos; the non-executive Director is Mr. Ho Kwok Yin, Eric; and the independent non-executive Directors are Mr. Iain Ferguson Bruce, Mr. Shi Xiaoguang and Ms. Chiang Yun.