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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL PERFORMANCE HIGHLIGHTS

	For the six months ended 30 June		Year-on-year change
	2017	**2016**	
	(HK$ in millions, unless specified)		
Revenue	3,295.6	3,214.9	2.5%
Gross profit	1,195.1	1,074.5	11.2%
Operating profit	179.4	169.1	6.1%
Profit for the period	125.9	110.1	14.4%
Profit for the period attributable to owners of the parent	124.7	107.1	16.4%
EPS (HK$)			
- basic	0.11	0.10	10.0%
- diluted	0.11	0.10	10.0%

The board (the "**Board**") of directors ("**Directors**") of Goodbaby International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to present the unaudited consolidated interim results of the Group for the six months ended 30 June 2017, together with the comparative figures for the corresponding period in 2016.

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30 June 2017 (unaudited) (HK$'000)	2016 (unaudited) (HK$'000)
Revenue	4	3,295,589	3,214,894
Cost of sales		(2,100,534)	(2,140,406)
Gross profit		1,195,055	1,074,488
Other income and gains	4	10,356	16,494
Selling and distribution costs		(530,092)	(458,671)
Administrative expenses		(481,608)	(460,441)
Other expenses		(14,285)	(2,725)
Operating profit		179,426	169,145
Finance income	5	1,794	2,216
Finance costs	6	(29,011)	(25,997)
Share of profits of a joint venture		—	25
Profit before tax	7	152,209	145,389
Income tax expense	8	(26,286)	(35,281)
Profit for the period		125,923	110,108
Attributable to:			
Owners of the parent		124,704	107,140
Non-controlling interests		1,219	2,968
		125,923	110,108
Earnings per share attributable to ordinary equity holders of the parent:	10		
Basic			
- For profit for the period (HK$)		0.11	0.10
Diluted			
- For profit for the period (HK$)		0.11	0.10

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2017	**2016**
	(unaudited)	*(unaudited)*
	(HK$'000)	*(HK$'000)*
Profit for the period	125,923	110,108
Other comprehensive income		
Other comprehensive income to 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	(24,181)	—
Reclassification adjustments for losses included in the consolidated statement of profit or loss	7,840	—
Income tax effect	2,451	—
	(13,890)	—
Exchange differences:		
Exchange differences on translation of foreign operations	92,617	(19,638)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	78,727	(19,638)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Actuarial gains/(losses) of defined benefit plans	5,199	(2,893)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	5,199	(2,893)
Other comprehensive income for the period, net of tax	83,926	(22,531)
Total comprehensive income for the period	209,849	87,577
Attributable to:		
Owners of the parent	207,652	84,935
Non-controlling interests	2,197	2,642
	209,849	87,577

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Notes	**30 June 2017** *(unaudited)* *(HK$'000)*	**31 December 2016** *(audited)* *(HK$'000)*
NON-CURRENT ASSETS			
Property, plant and equipment		883,491	858,194
Prepaid land lease payments		54,425	53,895
Goodwill		834,088	811,662
Other intangible assets		689,404	655,866
Investment in a joint venture		840	814
Deferred tax assets		129,979	130,880
Other long-term assets		22,150	7,845
Total non-current assets		2,614,377	2,519,156
CURRENT ASSETS			
Inventories	11	1,255,482	1,099,846
Trade and notes receivables	12	737,801	644,440
Prepayments and other receivables		250,058	187,381
Due from related parties		456,034	284,395
Available-for-sale investments	13	39,603	—
Cash and cash equivalents		728,592	758,153
Pledged time deposits		117,429	25,367
Total current assets		3,584,999	2,999,582
CURRENT LIABILITIES			
Trade and notes payables	14	1,167,261	926,464
Other payables, advances from customers and accruals		587,384	557,925
Interest-bearing bank loans and other borrowing	15	727,301	278,236
Income tax payable		45,433	28,307
Provisions		32,197	63,928
Derivative financial liabilities	16	24,181	—
Defined benefit plan liabilities		390	388
Dividends payable		8	8
Total current liabilities		2,584,155	1,855,256
NET CURRENT ASSETS		1,000,844	1,144,326
TOTAL ASSETS LESS CURRENT LIABILITIES		3,615,221	3,663,482

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	**30 June 2017** *(unaudited)* *(HK$'000)*	**31 December 2016** *(audited)* *(HK$'000)*
TOTAL ASSETS LESS CURRENT LIABILITIES		3,615,221	3,663,482
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowing	15	728,917	950,521
Provisions		61,197	63,708
Defined benefit plan liabilities		8,604	12,717
Other non-current liabilities		13,632	12,475
Deferred tax liabilities		154,936	145,899
Total non-current liabilities		967,286	1,185,320
Net assets		2,647,935	2,478,162
EQUITY			
Equity attributable to owners of the parent			
Share capital		11,196	11,151
Reserves		2,598,381	2,429,129
		2,609,577	2,440,280
Non-controlling interests		38,358	37,882
Total equity		2,647,935	2,478,162

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

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 (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 statements for the six months ended 30 June 2017 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

2.2 **Changes to the Group's accounting policies**

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements for the six months ended 30 June 2017 are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2016 and the new and revised International Financial Reporting Standards ("IFRSs", which also include IASs and interpretations) that are adopted for the first time for the current period's unaudited interim condensed consolidated financial statements.

2.3 **Adoption of new and revised IFRSs**

The Group has applied, for the first time, several new standards and amendments in 2017. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The Company has adopted the following new and revised IFRSs for the first time in these interim condensed financial statements.

Amendments to IAS 7	Statement of Cash Flows: Disclosure Initiative
Amendments to IAS 12	Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The adoption of these new and revised IFRSs has had no significant financial effect on the Group's interim condensed consolidated financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. **Operating segments**

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

(a) 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) 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) 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.

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 2017

	Strollers and accessories *(HK$'000)* (unaudited)	**Car seats and accessories** *(HK$'000)* (unaudited)	**Other durable juvenile products** *(HK$'000)* (unaudited)	**Consolidated** *(HK$'000)* (unaudited)
Segment revenue				
Sales to external customers	1,172,894	1,369,893	752,802	3,295,589
Segment results	404,271	591,689	199,095	1,195,055
Reconciliation:				
Other income and gains				10,356
Corporate and other unallocated expenses				(1,011,700)
Other expenses				(14,285)
Finance costs				(29,011)
Finance income				1,794
Profit before tax				152,209
Other segment information:				
Impairment losses recognised in the statement of profit or loss	2,884	756	—	3,640
Depreciation and amortisation	43,940	35,571	24,425	103,936

Six months ended 30 June 2016

	Strollers and accessories *(HK$'000)* (unaudited)	Car seats and accessories *(HK$'000)* (unaudited)	Other durable juvenile products *(HK$'000)* (unaudited)	Consolidated *(HK$'000)* (unaudited)
Segment revenue				
Sales to external customers	1,080,815	1,315,473	818,606	3,214,894
Segment results	376,155	532,384	165,949	1,074,488
Reconciliation:				
Other income and gains				16,494
Corporate and other unallocated expenses				(919,112)
Other expenses				(2,725)
Finance costs				(25,997)
Finance income				2,216
Share of profits of a joint venture				25
Profit before tax				145,389
Other segment information:				
Impairment losses recognised in the statement of profit or loss	8,826	9,319	6,509	24,654
Depreciation and amortisation	40,135	33,533	25,493	99,161

Geographical information

(a) ***Revenue from external customers***

	European market (HK$'000) *(unaudited)*	North America market (HK$'000) *(unaudited)*	Mainland China market (HK$'000) *(unaudited)*	Other overseas markets (HK$'000) *(unaudited)*	Total (HK$'000) *(unaudited)*
Six months ended 30 June 2017					
Segment revenue:					
Sales to external customers	933,443	1,352,571	745,454	264,121	3,295,589
Six months ended 30 June 2016					
Segment revenue:					
Sales to external customers	923,367	1,331,266	658,979	301,282	3,214,894

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

(b) ***Non-current assets***

	As at 30 June 2017 *(HK$'000)* (unaudited)	As at 31 December 2016 *(HK$'000)* (audited)
Mainland China	647,541	624,385
North America	1,026,888	1,026,222
Europe	804,109	732,321
	2,478,538	2,382,928

The non-current asset information above are 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 2017, revenue from sales to a major customer of 3rd party accounting for 10% or more of the total net sales of the Group is HK$ 489,551,000 (During the six months ended 30 June 2016: HK$473,396,000). The revenue from sales to this customer was derived from sales by the strollers and accessories, car seats and accessories and other durable juvenile products segments, including sales to a group of entities which are known to be under common control with this customer. There was no other single customer accounted for 10% or more of the total net sales of the Group, except a related party.

4. Revenue and other income and gains

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

	Six months ended 30 June	
	2017	**2016**
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
Revenue:		
Sales of goods	3,295,589	3,214,894
Other income and gains:		
Government grants (note (a))	3,178	6,929
Compensation income (note (b))	2,328	164
Gain on sale of materials	921	1,766
Net foreign exchange gains	607	1,785
Service fee income (note (c))	313	470
Gain on wealth investment products	215	3,484
Net fair value gains on call and put option of acquisition of NICAM A/S	—	356
Others	2,794	1,540
Total	10,356	16,494

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 is no unfulfilled condition or contingency attaching to these grants and they are recognized in the year of receipt or obtaining the relevant approvals.

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

5. **Finance income**

	Six months ended 30 June	
	2017	**2016**
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
- Interest income on bank deposits	1,794	2,216

6. **Finance costs**

	Six months ended 30 June	
	2017	**2016**
	(HK$'000)	*(HK$'000)*
	(Unaudited)	(Unaudited)
- Interest expense on bank loans and other borrowing	29,011	25,997

7. **Profit before tax**

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

	Six months ended 30 June	
	2017	**2016**
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
Cost of inventories sold	2,100,534	2,140,406
Depreciation of property, plant and equipment	89,937	86,965
Amortisation of intangible assets	12,808	11,082
Amortisation of prepaid land lease payments	1,191	1,114
Research and development costs	148,530	151,625
Lease payments under operating leases in respect of properties	42,143	48,614
Auditors' remuneration	6,026	5,635
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	644,633	587,861
Share option expense	8,047	9,168
Pension scheme costs (defined benefit plans)	1,227	576
Pension scheme contributions	17,552	17,658
	671,459	615,263
Net foreign exchange gains	(607)	(1,785)
Impairment of receivables	311	545
Product warranties and liabilities	15,637	16,932
Write-down of inventories	3,329	24,109
Fair value losses, net		
Cash flow hedges (transfer from equity)	7,840	—
Derivative instruments — transactions not qualifying as hedges	—	311
Loss on disposal of items of property, plant and equipment	3,623	358
Bank interest income	(1,794)	(2,216)

8. **Income tax expense**

The Company and its subsidiaries incorporated in the Cayman Islands and Samoa 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 period.

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 10% in the respective states where the subsidiary operates, and the federal income tax rates range 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 subsidiary registered in Denmark is subject to income tax based on the taxable income at the rate of 24.5%.

The Group's subsidiary registered in the Czech Republic is subject to income tax based on the taxable income at 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 a "High and New Technology Enterprise" and is entitled to a preferential tax rate of 15% from 2014 to 2016.

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

	Six months ended 30 June	
	2017	**2016**
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
Current - income tax		
- Charge for the period	23,242	49,698
- Under provision in prior years	—	566
Deferred Income tax	3,044	(14,983)
Income tax expense reported in the statement of profit or loss	26,286	35,281

9. **Dividends**

The board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2017 (six months ended 30 June 2016: 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 1,115,607,000 in issue during the six months ended 30 June 2017 (six months ended 30 June 2016: 1,110,409,000).

The calculation of diluted earnings per share amounts 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 calculations of the basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2017	**2016**
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the earnings per share calculation	124,704	107,140

	Number of shares Six months ended 30 June 2017 ('000) (Unaudited)	2016 ('000) (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,115,607	1,110,409
Effect of dilution-weighted average number of ordinary shares:		
Share options	2,895	4,059
	1,118,502	1,114,468

11. **Inventories**

	As at 30 June 2017 *(HK$'000)* *(Unaudited)*	As at 31 December 2016 *(HK$'000)* *(Audited)*
Raw materials	364,075	309,450
Work in progress	66,706	55,664
Finished goods	824,701	734,732
	1,255,482	1,099,846

12. **Trade and notes receivables**

	As at 30 June 2017 *(HK$'000)* *(Unaudited)*	As at 31 December 2016 *(HK$'000)* *(Audited)*
Trade receivables	735,776	646,027
Notes receivables	11,278	7,373
	747,054	653,400
Impairment for trade receivables	(9,253)	(8,960)
	737,801	644,440

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

	As at 30 June 2017 *(HK$'000)* *(Unaudited)*	**As at 31 December 2016** *(HK$'000)* *(Audited)*
Within 3 months	713,764	597,198
3 to 6 months	8,214	31,460
6 months to 1 year	2,251	4,686
Over 1 year	2,294	3,723
	726,523	637,067

13. **Available-for-sale investments**

	As at 30 June 2017 *(HK$'000)* *(Unaudited)*	**As at 31 December 2016** *(HK$'000)* *(Audited)*
Unlisted investments, at fair value	39,603	—

The above investments consist of investments in wealth investment products which are designated as available-for-sale financial assets and have maturity within one month and coupon rates ranging from 2.2% to 2.3% per annum (2016: ranging from 1.49% to 3.70%).

The wealth investment products are all matured in July 2017 with principals and interests fully received.

14. **Trade and notes payables**

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

	As at 30 June 2017 *(HK$'000)* *(Unaudited)*	**As at 31 December 2016** *(HK$'000)* *(Audited)*
Within 3 months	1,042,889	798,734
3 to 12 months	121,264	110,322
1 to 2 years	1,682	13,300
2 to 3 years	351	1,740
Over 3 years	1,075	2,368
	1,167,261	926,464

The trade and notes 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.

15. **Interest-bearing bank loans and other borrowing**

		As at 30 June 2017		**As at 31 December 2016**	
		Maturity	*HK$'000* *(Unaudited)*	*Maturity*	*HK$'000* *(Audited)*
Current					
Bank borrowings — secured	Note(b)	2017-2018	300,396	2017	38,770
Bank borrowings — unsecured		2018	135,465		—
Bank overdraft — unsecured	Note(a)	On demand	46,748	On demand	189,782
Current portion of long-term bank loans — secured	Note(b)	2018	244,068	2017	48,862
Other borrowing	Note(c)	2017	624	2017	822
			727,301		278,236
Non-current					
Bank borrowings — secured	Note(b)	2018-2021	727,044	2018-2021	948,040
Other borrowing	Note(c)	2021	1,873	2021	2,481
			728,917		950,521
Total			1,456,218		1,228,757

Note (a): The bank overdraft facilities amounted to HK$177,260,000, of which HK$46,748,000 had been utilised as at the end of the reporting period and was guaranteed by the Company. The bank overdraft facilities are revolving facilities with no termination date.

Note (b): Certain of the Group's bank loans are secured by:

(i) The pledge of shares of certain Group's subsidiaries;

(ii) A standby letter of credit from the Bank of China Suzhou branch and HSBC Suzhou branch issued by a subsidiary of the Group; and

(iii) Intra-group trade receivables of approximately HK$123,946,000 and these trade receivables were eliminated on the group level.

Note (c): The other borrowing was from local authority.

Note (d): The effective interest rates of the bank loans and other borrowing range from 0.65% to 6% (2016: 1.25% to 6%).

16. **Derivative financial liabilities**

	As at 30 June 2017 *(HK$'000)* *(Unaudited)*	**As at 31 December 2016** *(HK$'000)* *(Audited)*
Forward currency contracts	24,181	—

Forward currency contracts — cash flow hedges

Forward currency contracts are designated as hedging instruments in respect of forecast future intragroup sales in Euros. The forward currency contract balances vary with the levels of expected foreign currency sales and changes in foreign exchange forward rates.

The terms of the forward currency contracts match the terms of the commitments. The cash flow hedges relating to intragroup sales in July, August and September 2017 were assessed to be highly effective and net losses of HK$13,890,000 were included in the hedging reserve as follows:

	As at 30 June 2017 *(HK$'000)* *(Unaudited)*
Total fair value gains included in the hedging reserve	(24,181)
Deferred tax on fair value losses	3,627
Reclassified from other comprehensive income and recognised in the statement of profit or loss	7,840
Deferred tax on reclassifications to profit or loss	(1,176)
Net losses on cash flow hedges	(13,890)

MANAGEMENT DISCUSSION AND ANALYSIS

On the path to profitable growth

Following our integration measures, we recorded growth in both revenue and net profit in the first half of 2017. Our revenue for the six months ended 30 June 2017 increased by 2.5% to approximately HK$3,295.6 million from HK$3,214.9 million for the corresponding period in 2016. In particular, among others, our strategic brands recorded 17.4% growth. Net profit grew by 14.4% to approximately HK$125.9 million from approximately HK$110.1 million in the first half of 2016.

Our own brand and retailer private label businesses

Revenue from our own brand and retailer private label businesses increased by 8.5% to approximately HK$2,733.8 million in the first half of 2017, from approximately HK$2,520.7 million in the first half of 2016. Among others, our key strategic brands Cybex, gb and Evenflo recorded revenue of approximately HK$758.9 million, HK$574.8 million and HK$898.1 million respectively, representing growth of 26.8%, 24.8% and 6.7% respectively compared to the first half of 2016.

Region APAC

In the China market, the growth momentum continued since late 2016 and we recorded a revenue increase of 13.1% (18.6% in RMB) to approximately HK$745.4 million in the first half of 2017 from approximately HK$658.8 million in the first half of 2016. The increase was primarily attributed to a 26.6% growth in RMB in gb brand sales and a more than double growth in Cybex brand sales, offset by a slight decline in the Happy Dino brand. The strong growth of gb and Cybex was driven by brand-building efforts including media advertising, celebrity endorsement and fashion events, as well as a rebound in offline sales.

Revenue outside China declined by 22.7% to approximately HK$172.3 million in the first half of 2017 from approximately HK$222.8 million in the first half of 2016. The decline mainly resulted from the closure of our Geoby brand business in 2016.

Region EMEA

Led by the strong growth of Cybex and the gb Platinum and Gold ranges, revenue in EMEA grew by 20.0% to approximately HK$816.9 million in the first half of 2017, from approximately HK$680.7 million in the first half of 2016.

While our own brand business experienced solid growth in Germany, all other core European market realised significant revenue growth. The strong growth in Cybex brand was due to the continued solid performance of our car seat portfolio, as well as the rapid development of its stroller collection through products like the Priam, Mios and Balios M. Another brand-building milestone was achieved in the first half of 2017 when Cybex reached more than 1 million Facebook fans.

The gb Platinum and Gold range's rapid expansion in 2016 continued in the first half of 2017, supported by the strong performance of the Pockit and Qbit strollers, as well as a completely new car seat trilogy comprised of the Idan, Vaya I-Size and Elian-FIX.

Region Americas

Following Evenflo's appointment of a dedicated CEO in January 2017, we focused our investments on brand-building, product development and our distribution channels development. We quickly reacted to a seismic shift in customer purchase preference toward online purchasing behaviour, and increased our partnership with key online channels, supported with a more flexible supply chain. Attributed to a strong market demand in the second quarter, revenue from Evenflo (including Exersuacer) increased by 6.7% to approximately HK$898.1 million in the first half of 2017 from approximately HK$841.4 million in the first half of 2016. Our new product development process has been streamlined to focus on the most important consumer-driven needs and aims to create substantial market demand at launch. Our brand relaunch efforts are underway with a new aesthetic and positioning to be unveiled in 2018. We expect positive sales trends and our structural improvements to set a foundation for sustainable growth.

Blue Chip

While developing our own brands, we successfully maintained close relationships with our key Blue Chip customers who recognise and value our excellent manufacturing and Research and Development (R&D) capabilities. Resulting primarily from the planned business transition of a long standing customer, we recorded a reduction in Blue Chip revenue of 19.1 to approximately HK$561.8 million in the first half of 2017, from approximately HK$694.2 million in the first half of 2016.

Innovation and technology

With seven R&D centres worldwide and a team of more than 400 specialists, our products uniquely combine world-class engineering with iconic aesthetics. Our technical organisation is highly agile and we are developing regional competence centres and autonomous teams to respond faster to market developments and accelerate product development. In the first half of 2017 alone, we filed and obtained 184 patents, bringing the total number of historically obtained patents to more than 7,500.

In 2017, the Cybex MIOS stroller won the "Best of the Best" Red Dot Design Award and seven Cybex and gb car seats were rated "Best in Test," with the highest overall scores in their respective groups. They were also "Test Winners" in the recent independent German Stiftung Warentest and ADAC testing. We now achieve six Red Dot Design Awards, one iF Design Award, one China Excellent Industrial Design Reward, one Guinness World Record and one China Industrial Design Gold Award.

In the first half of 2017, we led or participated in revising 10 international and nine national regulatory standards. We were authorised to establish Co-Secretariat for ISO/PC 310 Wheeled Child Conveyances to develop unified international standards for strollers. In addition, our testing centre was presented with an "Advanced Testing Organisation in Industry Service" award by the China Toy & Juvenile Products Association.

Production and supply chain

We continue to enhance the Goodbaby Excellence System we created in 2016 through management and technology projects. We combine Lean Manufacturing principles with management training and advanced quality tools developed in the automotive industry.

To offset the increases in raw material costs, we applied a set of tactical purchasing solutions to achieve a leaner and more efficient supply base. As our business continues to expand, we will pursue further supply chain integration, supplier consolidation, procurement and logistic organisation to achieve world-class efficiency and competitiveness.

Management structure

We are strengthening our global management structure and improving operational integration, while preserving our unique culture, values and entrepreneurship. A Triangular Management System has been introduced to ensure a centralised vision, strategy and standards, with decentralised regional execution. Within our business units, designated leaders now define functional strategies, standards and processes.

These business unit leaders have full executional and operational responsibility for their areas and are now mentored by Regional Chairmen, who serve as ambassadors of our mission and cultural values.

Outlook

Our positive financial results in the first half of 2017 are a direct outcome of our One Dragon Vertically Integrated Business Model. The massive integration initiatives we executed during the last three years have now achieved notable results. All aspects of our business are now based on a flexible and scalable foundation that supports our continued growth in revenue and profit.

FINANCIAL REVIEW

Revenue

The total revenue of the Group increased by 2.5% from approximately HK$3,214.9 million for the six months ended 30 June 2016 to approximately HK$ 3,295.6 million for the six months ended 30 June 2017.

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

	For the six months ended 30 June				Growth analysis 2017 vs 2016
	2017		2016		
	Sales *(HK$ million)*	**Total % of sales**	**Sales** *(HK$ million)*	**Total % of sales**	
Group's own brand and retailer private label businesses	2,733.8	83.0	2,520.7	78.4	8.5%
APAC	917.7	27.9	881.6	27.4	4.1%
EMEA	816.9	24.8	680.7	21.2	20.0%
Americas	999.2	30.3	958.4	29.8	4.3%
Blue-Chip business	561.8	17.0	694.2	21.6	-19.1%
Total	3,295.6	100.0	3,214.9	100.0	2.5%

The growth in the Group's own brand and retailer private label businesses were attributable to the strong performance of our strategic brands, Cybex, gb and Evenflo, which experienced solid growth because of successful new product launches, distribution channel development and brand-building efforts. However, the growth was partially offset by a decrease in the business of other brands and retailer private label.

The decrease in revenue from the Blue-Chip business was mainly due to the planned decrease in sales from a previously largest customer as the Group was transforming its business model from OPM to brand-driven business. However, we successfully maintained close relationships with our key Blue-Chip customers who recognise and value our excellent manufacturing and R&D capabilities. As a result, the decrease in revenue from the Blue-Chip business was smaller than expected and we recorded a year-on-year decrease of 19.1%.

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales decreased by approximately 1.9% from HK$2,140.4 million for the six months ended 30 June 2016 to HK$2,100.5 million for the six months ended 30 June 2017. The gross profit for the Group increased from approximately HK$1,074.5 million for the six months ended 30 June 2016 to approximately HK$1,195.1 million for the six months ended 30 June 2017, and the gross profit margin increased from approximately 33.4% for the six months ended 30 June 2016 to approximately 36.3% for the six months ended 30 June 2017. The improvement in gross profit margin was mainly due to increased revenue contribution from our key strategic brands and improvement in cost efficiency.

Other Income and Gains

Other income and gains of the Group decreased by HK$6.1 million from approximately HK$16.5 million for the six months ended 30 June 2016 to approximately HK$10.4 million for the six months ended 30 June 2017. The decrease was mainly attributable to the decrease in government grants and the decrease in gain from wealth investment products.

Selling and Distribution Costs

The Group's selling and distribution costs primarily consist of marketing expenses, salaries and transportation costs. The selling and distribution costs increased from approximately HK$458.7 million for the six months ended 30 June 2016 to approximately HK$530.1 million for the six months ended 30 June 2017. The increase was mainly attributable to the increase of marketing expenses for brand-building efforts and transportation costs.

Administrative Expenses

The administrative expenses of the Group primarily consist of salaries, research and development costs and office expenses. The administrative expenses increased slightly from approximately HK$460.4 million for the six months ended 30 June 2016 to approximately HK$481.6 million for the six months ended 30 June 2017.

Other Expenses

Other expenses of the Group increased to approximately HK$14.3 million for the six months ended 30 June 2017 from approximately HK$2.7 million for the six months ended 30 June 2016. The increase was mainly due to the fair value loss from forward currency contracts.

Operating Profit

As a result of the reasons mentioned above, the Group's operating profit increased by approximately 6.1%, or HK$10.3 million, from approximately HK$169.1 million for the six months ended 30 June 2016 to approximately HK$179.4 million for the six months ended 30 June 2017. For the six months ended 30 June 2017, the Group's operating margin increased to 5.4% from approximately 5.3% for the six months ended 30 June 2016.

Finance Income

For the six months ended 30 June 2017, the Group's finance income decreased by approximately 18.2%, or HK$0.4 million, from approximately HK$2.2 million for the six months ended 30 June 2016 to approximately HK$1.8 million. The Group's finance income mainly comprises interest income from bank deposits.

Finance Costs

For the six months ended 30 June 2017, the Group's finance costs increased by 11.5%, or HK$3.0 million, from approximately HK$26.0 million for the six months ended 30 June 2016 to approximately HK$29.0 million. The increase for the six months ended 30 June 2017 was mainly attributable to the increase in LIBOR interest rate.

Profit Before Tax

As a result of the reasons mentioned above, the profit before tax of the Group increased by 4.7% from approximately HK$145.4 million for the six months ended 30 June 2016 to approximately HK$152.2 million for the six months ended 30 June 2017.

Income Tax Expense

The Group's income tax expense was approximately HK$26.3 million for the six months ended 30 June 2017, down by HK$9.0 million from approximately HK$35.3 million for the six months ended 30 June 2016.

Profit for the Period

Profit of the Group increased by 14.4% to approximately HK$125.9 million for the six months ended 30 June 2017 from approximately HK$110.1 million for the six months ended 30 June 2016.

Non-GAAP Financial Measures

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

The following tables set forth the reconciliations of the Company's non-GAAP financial measures for the six months ended 30 June 2017 and 2016 to the nearest measures prepared in accordance with IFRS:

	For the 6 months ended 30 June 2017			
		Adjustments		
	As reported	**Equity-settled share option arrangements**	**Amortisation of intangible assets (a)**	**Non-GAAP**
	(HK$ million)	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*
Operating profit	179.4	8.0	7.3	194.7
Profit before tax	152.2	8.0	7.3	167.5
Profit for the period	125.9	8.0	5.9	139.8
Operating margin	5.4%			5.9%
Net margin	3.8%			4.2%

	For the 6 months ended 30 June 2016						
		Adjustments					
	As reported	**Equity-settled share option arrangements**	**Amortisation of intangible assets (a)**	**Net fair value gains on call and put options (b)**	**Net losses on discontinuation of non-strategic operations (c)**	**Integration-related costs (d)**	**Non-GAAP**
	(HK$ million)	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*
Operating profit	169.1	9.2	7.4	-0.4	0.9	2.5	188.7
Profit before tax	145.4	9.2	7.4	-0.4	0.9	2.5	165.0
Profit for the period	110.1	9.2	6.0	-0.3	0.9	2.2	128.1
Operating margin	5.3%						5.9%
Net margin	3.4%						4.0%

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

(b) Net fair value gains on call options and put options granted to non-controlling shareholders of a subsidiary of the Group, arising from acquisition of this subsidiary

(c) Net losses on discontinuation of non-strategic and unprofitable operations

(d) Costs related to integration of our business operations after the acquisitions

Working Capital and Financial Resources

	As at 30 June 2017 *(HK$ million)*	As at 31 December 2016 *(HK$ million)*
Trade and notes receivables (including trade receivables due from a related party)	1,193.8	928.8
Trade and notes payables	1,167.3	926.5
Inventories	1,255.5	1099.8
Trade and notes receivables turnover days(1)	58	57
Trade and notes payables turnover days(2)	90	83
Inventories turnover days(3)	101	104

Notes:

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

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

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

The increase of trade and notes receivables was mainly attributable to the increase of the Group's revenue. The trade and notes receivables turnover days remained stable.

The increase of trade and notes payables was mainly attributable to the increase of the Group's purchase, which was in line with revenue growth. The increase of trade and notes payables turnover days was mainly due to the improvement in payment terms.

The increase of inventories was mainly attributable to the anticipated growth of the Group's revenue in the third quarter. The decrease in inventories turnover days was mainly due to the improvement in inventory control.

Liquidity and Financial Resources

As at 30 June 2017, the Group's monetary assets, including cash and cash equivalents, pledged time deposits and available-for-sale investments, were approximately HK$885.6 million (as at 31 December 2016: approximately HK$783.5 million).

As at 30 June 2017, the Group's interest-bearing bank loans and other borrowings were approximately HK$1,456.2 million (as at 31 December 2016: approximately HK$1,228.7 million), including short-term bank loans and other borrowings of approximately HK$727.3 million (as at 31 December 2016: approximately HK$278.2 million) and long-term bank loans and other borrowings with repayment terms ranging from three to seven years of approximately HK$728.9 million (as at 31 December 2016: HK$950.5 million).

As a result, as at 30 June 2017, the Group's net debt position was approximately HK$570.6 million (as at 31 December 2016: approximately HK$445.3 million).

Contingent Liabilities

As at 30 June 2017, the Group had no material contingent liabilities (as at 30 June 2016: nil).

Exchange Rate Fluctuations

The Group is a multinational enterprise with operations in different countries and the money that it used to conduct its business and transaction are denominated in various currencies, and the Group uses the Hong Kong dollar ("HK$") as its reporting currency, which is pegged to U.S. dollar ("US$"). The Group's revenue is mainly denominated in US$, Renminbi ("RMB") and Euro. The Group's procurement and OPEX are mainly denominated in RMB, US$ 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 OPEX. 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 eliminate the foreign currency exposures.

Pledge of Assets

As at 30 June 2017, time deposits of approximately HK$117.4 million (as at 31 December 2016: HK$25.4 million) were pledged for business operation and certain of the Group's interest-bearing bank loans. As at 30 June 2017, some of the Group's interest-bearing bank borrowings and other borrowing were pledged by intragroup trade receivables of approximately HK$123.9 million (as at 31 December 2016: nil), and such trade receivables were eliminated in the consolidated financial statements of the Group.

Gearing Ratio

As at 30 June 2017, 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 and interest-bearing bank loans and other borrowings (current and non-current) minus cash and cash equivalents; the amount of the adjusted capital is calculated by equity attributable to owners of the parent minus hedging reserve) was approximately 48.6% (as at 31 December 2016: approximately 44.5%).

Employees and Remuneration Policy

As at 30 June 2017, the Group had a total of 12,708 full-time employees (as at 30 June 2016, the Group had a total of 12,584 full-time employees). For the six months ended 30 June 2017, costs of employees, excluding directors' emoluments, amounted to a total of HK$661.9 million (for the six months ended 30 June 2016, costs of employees, excluding directors' emoluments, amounted to a total of HK$595.3 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 has also adopted a share option scheme to award employees who may have contribution to the Group.

As at 31 December 2016, the outstanding share options were 74,959,500. During the six months ended 30 June 2017, 2,220,000 share options had lapsed and 4,473,000 share options had been exercised. As at 30 June 2017, 68,266,500 share options were outstanding.

Significant Acquisition, Disposal or Investment

On 24 July 2017, the Company and Goodbaby China Holdings Limited (好孩子中國控股有限公司) (the "**Vendor**"), entered into a share purchase agreement, pursuant to which the Company has conditionally agreed to acquire, and the Vendor conditionally agreed to sell the entire issued capital of Oasis Dragon Limited, a company which is directly and wholly-owned by the Vendor, at a consideration of US$360,000,000, subject to adjustment (the "**Acquisition**"). The consideration will be satisfied as to US$120,485,816 by the payment with cash and as to the balance by the allotment and issue of 536,100,000 new Shares at the issue price of HK$3.49 per consideration share credited as fully paid.

The Vendor is an associate of Mr. Song Zhenghuan, an executive Director, and hence a connected person of the Company under Chapter 14A of the Listing Rules. As one or more of percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major and connected transaction for the Company which requires the approval of the independent shareholders by poll at the extraordinary general meeting.

For further details of the Acquisition, please refer to the announcement of the Company dated 24 July 2017.

Save as disclosed, the Group had no specific material investment target. The Group did not have any material acquisition and disposals of subsidiaries and associated companies, and investment during the period under review.

OTHER INFORMATION

Purchase, Sales or Redemption of Shares

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Dividends

The Board does not recommend payment of any dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: 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 six months ended 30 June 2017.

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 Directors of the Company, they have confirmed that they complied with the required standard of dealings set out in the Model Code throughout the six months ended 30 June 2017.

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 unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2017 have been reviewed by the Audit Committee.

The unaudited interim results for the six months ended 30 June 2017 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.

Publication of Interim Report

This interim 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 interim report of the Company for the six months ended 30 June 2017 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, 27 August 2017

As at the date of this announcement, the executive Directors are Mr. SONG Zhenghuan, Mr. Martin POS, Mr. LIU Tongyou, Mr. Michael Nan QU, Mr. WANG Haiye and Mr. Jan REZAB; the non-executive Director is Mr. HO Kwok Yin, Eric; and the independent non-executive Directors are Mr. Iain Ferguson BRUCE, Mr. SHI Xiaoguang, Ms. CHIANG Yun and Mr. JIN Peng.