2013

Goodbaby International Holdings Limited

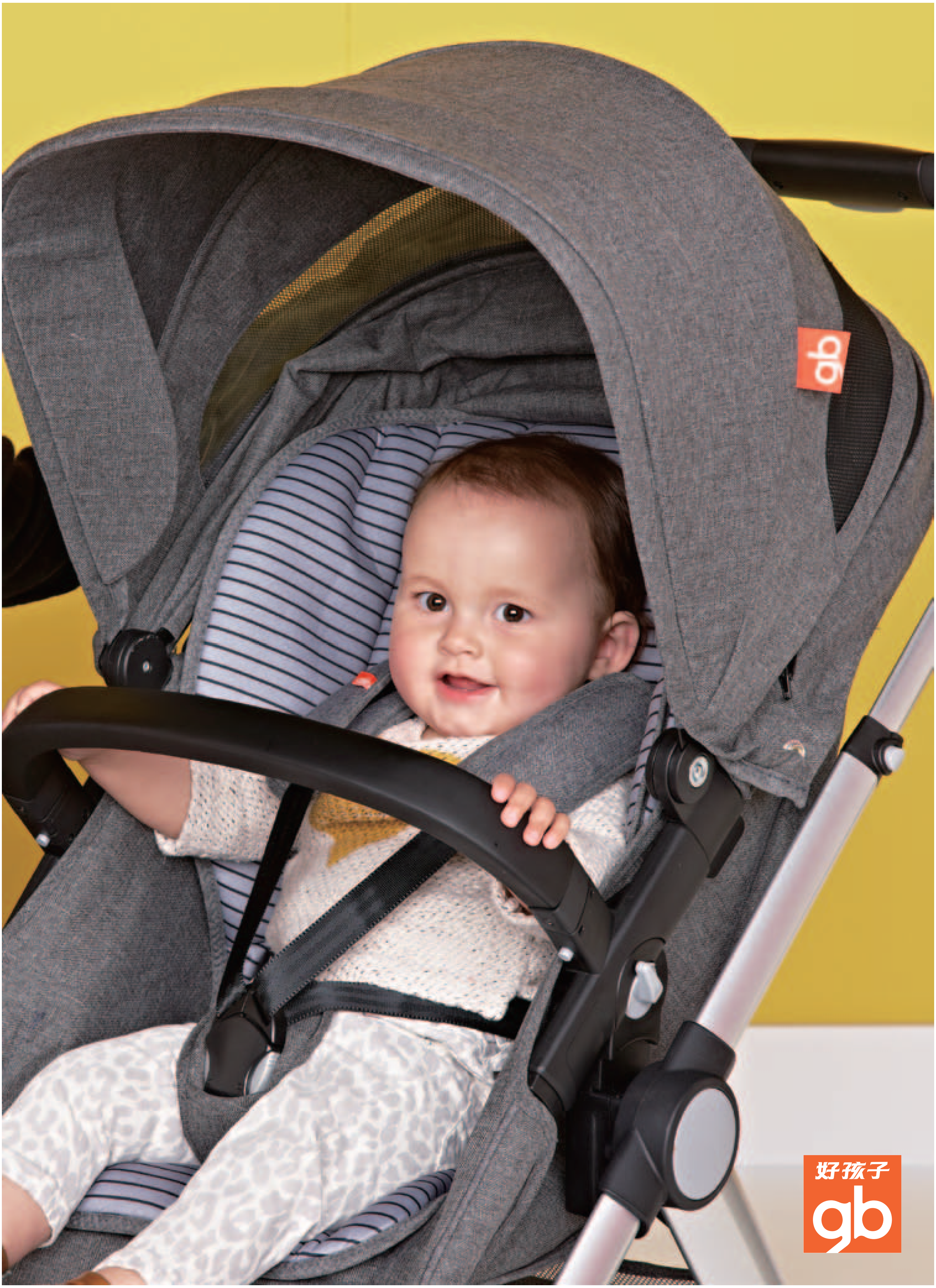
Stock Code: 1086

Annual Report

gbinternational.com.hk

CONTENTS

Corporate Information	3
Chairman's Statement	7
Management Discussion and Analysis	11
Directors and Senior Management	23
Corporate Governance Report	31
Report of the Board of Directors	45
Independent Auditors' Report	62
Consolidated Statement of Profit or Loss	64
Consolidated Statement of Comprehensive Income	65
Consolidated Statement of Financial Position	66
Consolidated Statement of Changes in Equity	68
Consolidated Statement of Cash Flows	69
Statement of Financial Position	71
Notes to Financial Statements	72
Financial Summary	158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Corporate Information

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Song Zhenghuan
(Chairman & Chief Executive Officer)
Mr. Wang Haiye
(Vice President)
Mr. Martin Pos
(appointed on 18 March 2014)
Mr. Michael Nan Qu
(appointed on 18 March 2014)

Non-Executive Directors

Ms. Chiang Yun
Mr. Ho Kwok Yin, Eric

Independent Non-Executive Directors

Mr. Iain Ferguson Bruce
Mr. Shi Xiaoguang

AUDIT COMMITTEE

Mr. Iain Ferguson Bruce *(Chairman)*
Mr. Shi Xiaoguang
Ms. Chiang Yun (appointed on 18 March 2014)

NOMINATION COMMITTEE

Mr. Iain Ferguson Bruce *(Chairman)*
Mr. Shi Xiaoguang
Ms. Chiang Yun (appointed on 18 March 2014)

REMUNERATION COMMITTEE

Mr. Iain Ferguson Bruce *(Chairman)*
Mr. Shi Xiaoguang
Ms. Chiang Yun (appointed on 18 March 2014)

AUDITORS

Ernst & Young
Certified Public Accountants
22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

LEGAL ADVISOR

As to Hong Kong law

Sidley Austin

PRINCIPAL SHARE REGISTRAR

Royal Bank of Canada Trust Company (Cayman) Limited
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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REGISTERED OFFICE

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Cayman Islands

HEAD OFFICE

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Jiangsu Province, 215331
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2001, 20th Floor
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

COMPANY SECRETARY

Ms. Pau Lai Mei

AUTHORIZED REPRESENTATIVES

Mr. Song Zhenghuan
Ms. Pau Lai Mei

PRINCIPAL BANKER

Bank of China, Kunshan Branch

WEBSITE

www.gbinternational.com.hk

STOCK CODE

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Chairman's Statement

CHAIRMAN'S STATEMENT

Mr Song Zhenghuan
Chairman

Dear Shareholders,

First of all, I would like to express our sincere gratitude to you on behalf of the Board of Directors and the management of the Company. Thanks to your trust and support, we overcame a number of difficulties caused by a downward market, decreases in orders and cost rises in 2013 with our resolute beliefs and best efforts. Based upon consolidation of our existing businesses, we realized transformation in our operation mode and upgrades of our core capabilities. The Company has set a good start for the next round of rapid development, given a considerable expansion of its room for operation, significant advancement in its market position and its fast-growing team.

In the international marketplace, our business from the existing clients tended to be stabilized, while business from new clients grew swiftly. Meanwhile, there were breakthroughs in the autonomous operations of our own brands, and our partnerships with retailers were also developing well. A landscape where an original brand manufacturer (OBM) exists with an original product manufacturer (OPM) and original design manufacturer (ODM) to allow the development of synergy and competition is being created, and a market-driven, client-oriented and strategy-focused operational management team is growing rapidly.

In the China market, grid management continued its development as channel management faded. While the status of our brands further ascended, electronic commerce allowed us to deliver breakthroughs in terms of scale. We retained our leading shares in different product markets, where the Company achieved a growth of up to 102% in the car seat sector, assuring our leading position in the China market and is becoming a new impetus of our business growth.

With regard to autonomous innovation and product research and development (R&D), our management system further improved with comprehensive and R&D results were very encouraging. In 2013, we registered 542 patents for inventions and developed 663 new products. Moreover, we have won three prizes in the Red Dot Design Awards, the top recognition of the world's industrial design circle, and won a prize in the iF Design Awards. These recognitions have ensured our industry leader position and satisfactory client-servicing abilities and increased the added value of our products.

The management efficiency of our manufacturing and supply chain was boosted continuously. There was a leap in the progress of the establishment of supply chain base facilities. Our ability in response to the market strengthened substantially, while the motivation and stability of our staff were improved. Meanwhile, our excellent quality and cost controls effectively addressed negative effects from decreased orders and cost rises.

In the aspect of product standardization, the Company further improved its edge in the standardization research and inspection standards of the industry, continuously enhancing its authority of speech among global industry players.

After being challenged by the severe market conditions of 2013, the core competence of the Company was significantly enhanced. We converted crises into opportunities and made a crucial step in transformation, which explored a new room for the development of the Company and set a new starting point for us.

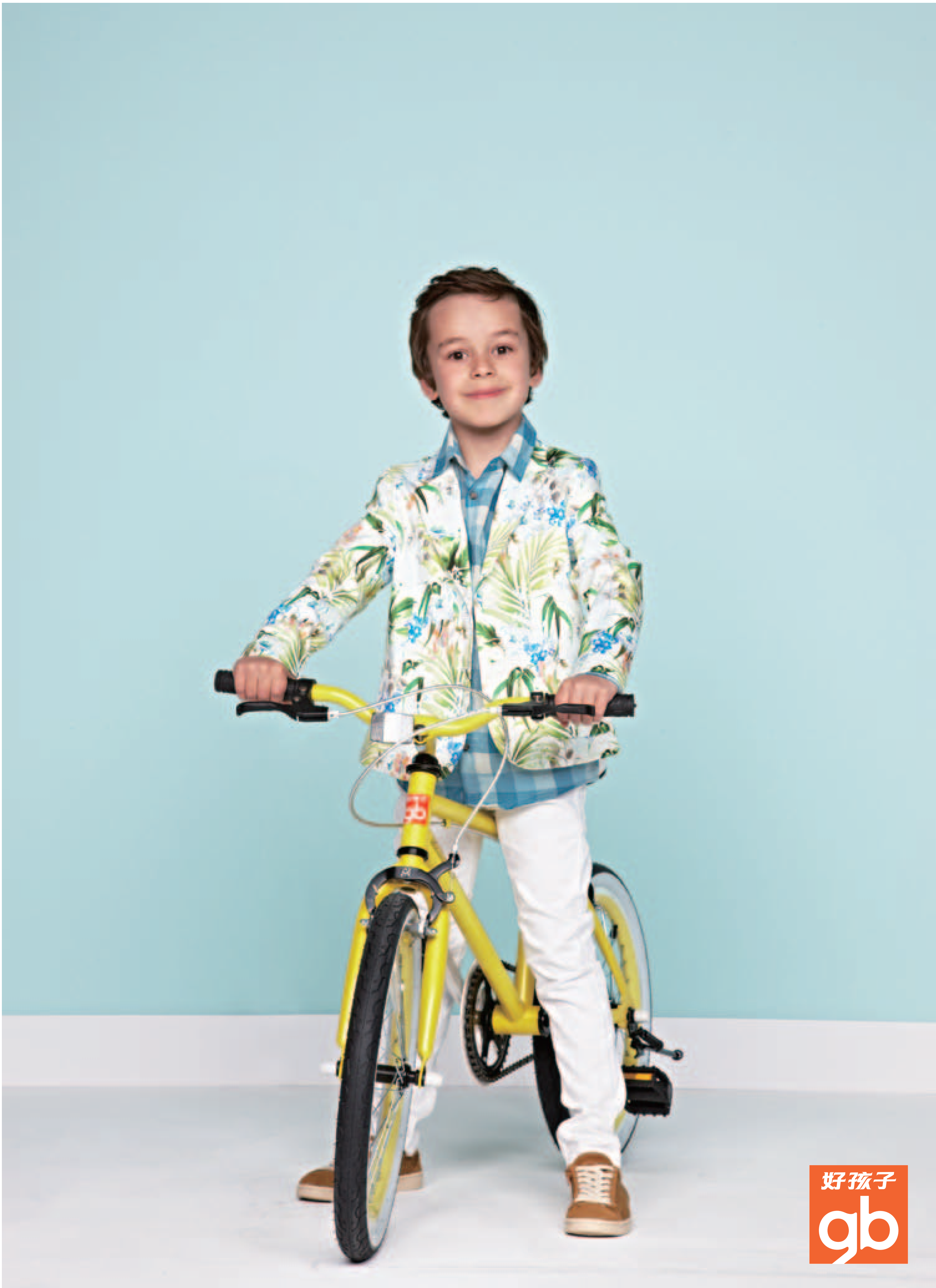
Year 2014 will be a critical year for the Company to further implement its different strategies, to develop a new landscape and to deliver remarkable results. My colleagues and I will fulfill our missions in a diligent, ambitious and pragmatic manner, and realize the visions of Goodbaby and create values for our Shareholders, staff and clients with unfading efforts.

We look forward to your continuous strong support.

Thank you very much.

Yours sincerely,
Song Zhenghuan
Chairman

18 March 2014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Management Discussion & Analysis

OVERVIEW

For the financial year ended 31 December 2013, Goodbaby International Holdings Limited recorded a total revenue of approximately HK$4,188.8 million, representing a decrease of approximately 8.0% as compared to the revenue of approximately HK$4,554.5 million in 2012. Operating gross profit was approximately HK$960.6 million, representing an increase of approximately 10.2% as compared to the operating gross profit of approximately HK$871.9 million in 2012. Profit for the year was approximately HK$171.1 million, representing a decrease of 6.5% as compared to the profit of approximately HK$183.1 million in 2012.

From a geographical perspective, the decrease in the Group's revenue was mainly attributable to a decrease in the revenue derived from European and North America markets. For the financial year ended 31 December 2013, the Group's revenue from these two markets decreased by 20.1% and 15.3%, respectively, as compared to the revenue in 2012. During the same period, the Group's revenue from the China market and Other Overseas markets increased by 4.2% and 6.0%, respectively, as compared to revenue derived in 2012. From a product category perspective. For the financial year ended 31 December 2013, the Group's revenue derived from strollers and accessories, car seats and accessories and other durable juvenile products decreased by 9.8%, 4.9% and 7.1%, respectively, as compared to the revenue of 2012.

For a detailed analysis of the Group's revenue and profit, please refer to the section headed "Financial Review" of this report.

KEY OPERATIONS REVIEW AND OUTLOOK

1. **Continuous progress in China's market strategy**

   For the financial year ended 31 December 2013, the Group's revenue in the China market was HK$1,357.5 million, representing an increase of approximately 4.2% as compared to HK$1,303.1 million in 2012. In 2013, the strategy for China market achieved further progress.

   (1) Downward penetration into lower tier cities in terms of "grid management", and achieved initial penetration into rural markets. In 2013, the number of maternity and childcare specialty stores covered by the in-depth distribution management system increased from 11,984 as at 31 December 2012 to 15,056 as at 31 December 2013. Meanwhile, the Group strengthened the depth of coverage to fully penetrate into nationwide counties and cities at prefecture and below levels and then further downward to towns and villages. As of 31 December 2013, among the 333 prefecture-level cities in China, the Group has covered 282 prefecture-level cities, representing a coverage rate of 85%. Among the 1,988 municipalities (including county-level cities, counties and autonomous counties) in China, the Group has covered 1,256 municipalities, representing a coverage rate of 63%. The number of towns covered by the Group was 1,882.

   (2) Realizing all-channel structure of e-commerce in scale. In 2013, the Group realized revenue from e-commerce channels of HK$267.8 million, representing 19.7% of the Group's total revenue from the China market for the

year of 2013. In addition, towards the end of 2013, the Group realized the all-channel structure of e-commerce, covering the official Goodbaby online flagship store, Tmall retail outlet, and internet wholesale platforms (including JD.com and Dangdang.com) while dominating a key position in major categories of the e-commerce platform of Tmall retail outlets and JD.com; continuously optimizing of internet distribution system, and towards the end of 2013, the Internet distribution of the Group covered 761 retail terminals on Taobao.com, of which 483 were franchise stores and 278 were consignment stores. The Group's online-exclusive products had been increasing in scale. Over 320 online-exclusive products were launched during the year, and were well-received by the market. During Taobao's "November 11" online shopping campaign, daily sales of the Group's products amounted HK$51.1 million, securing the top position amongst its peers.

(3) Achieving rapid growth in car seat business continuously. In 2013, the Group continued to focus on the development of the car seat business. Revenue derived from car seats in the China market reached approximately HK$84.9 million, representing growth of approximately 101.6%, as compared to approximately HK$42.1 million in 2012. By the end of 2013, the revision to the *Regulations of Shanghai Municipality on the Protection of Minors* (《上海市未成年人保護條例》) was approved, requiring the proper use of car seats for children below the age of four in a private car. We anticipate that such requirement will be implemented nationwide, boosting the growth of the car seat market.

2. Strategic upgrade for overseas markets business model

The revenue of the Group derived from overseas markets was approximately HK$2,831.3 million in 2013, decreased by 12.9% as compared to approximately HK$3,251.4 million in 2012. The extent of revenue decrease from overseas markets narrowed rapidly from the decrease of 18.7% in the first half of the year to 7.4% in the second half of the year, while the Group's overseas market business model underwent an initial stage of strategic upgrade as it pursued a two-pronged direct sales and blue-chip strategy.

After implementing direct sales (i.e. direct sales to retailers) in the European market in the second half of 2012, the Group also commenced strategic cooperation with major retailers in the North American market, initiated direct sales and its own-brand business, and began to deliver its products starting from the fourth quarter of 2013. During the year, the revenue from direct sales to customers in the European and North American markets reached HK$112.5 million, and its proportion in revenue from the European market was approximately 5.3%.

In 2013, the Group achieved remarkable results in developing new blue-chip customers while further strengthening its cooperation with existing ones, and realized bulk shipment in the second half of the year gradually. This effectively moderated the downward trend in revenue of the European and the American markets. In the second half of 2013, benefitting from the increase in blue-chip customers and launching more new products by existing customers, the percentage of decrease in revenue of the North American market and the European market of the Group narrowed from 28.1% and 26.4% in the first half of the year to 1.1% and 14.4% in the second half of the year, respectively.

In January 2014, the Group successfully completed the acquisition of Columbus Holding GmbH, strengthening the proactive marketing capability in overseas markets of the Group. A market-oriented, customer-oriented and strategy-oriented business management team is growing rapidly.

3. Upholding leading position in new product development

In 2013, although the Group experienced unprecedented market difficulties, new products development brought significant value under the adverse circumstance. In 2013, the Group's sales revenue derived from new products in overseas markets represented over half of its sales revenue from overseas markets, accounting for 51.4%.

For the financial year ended 31 December 2013, the Group had launched a total of 663 new products, 90 of which were brand new products and 573 were improved products. As at 31 December 2013, there were 473 new products under the stage of research and development, 195 of which were brand new products and 278 were improved products. In 2013, the Group focused on its research and development of new materials and developed gas-assisted strollers and carbon fibre strollers, strengthened intelligent infant and children products and launched intelligent bouncers, and catered to the needs of users by developing high view strollers and pioneered the most compact foldable stroller. The most representative example amongst the products launched was the "Hummingbird" stroller, which features an automatic folding function. Through the research and development of new materials and new technical process, the stroller weighs only 3.5kg while a typical stroller weighs above 6.5kg, making it the world's most lightweight stroller with wide popularity in the market. Since its launch in the second quarter of 2013, its total sales volume reached 29,848 units in the PRC market and 34,333 units in Japan and the Southeast Asia market.

The "Super Umbrella Stroller" created in 2013 resolved the universal function problems of direction changing and free-standing, establishing another benchmark of innovation in the infant stroller industry.

The own-brand strollers Beaula, EPOC and car seat Origin developed by the Group in 2013 all won the "Red Dot Design Award". This is the fourth time the products developed by the Group achieved such award, and the German brand CYBEX acquired by the Group was awarded "Red Dot Design Award" in the same year with its Aton-Q car seat and Solution Q-fix car seat products. The fact that the Group's wins at the "Red Dot Design Award" were concentrated in the car seat category signified the Group's advanced technologies in car seats, as it strives to become the advocate of the industry's highest standards. Prior to winning such award, EPOC was also awarded the iF Product Design Award from the International Forum Design Hannover, which shows that the Group's research and development capabilities continued to be highly recognized by the international industrial design industry.

4. Achieving new progress in inspection and testing capabilities and researches on standard systems

In 2013, the Group participated in the development or revision of 6 PRC national standards, and the voting for 27 U.S. standards. Towards the end of 2013, the Group has participated in the development or revision of a total of 61 PRC national standards, 105 U.S. standards, one Europe standard and one Japan standard.

In 2013, the Group collaborated with Automotive Manufacturers Equipment Compliance Agency, Inc ("AMECA") of United States, and provided one-stop services including testing, registration and authentication for the car seats sold to the United States. Since the collaboration with Société Générale de Surveillance ("SGS") in Switzerland, TUV Nord Group in Germany and Motor Vehicle Inspection Centre of Jiangsu Province officially commenced, inspection reports on children car seats, E1 (Germany), E4 (Netherlands) and E9 (Spain) have been jointly published and a test report was issued in accordance with PRC national standard GB27887.

China lacks industry standards for children's e-cars. As such, the Company actively made suggestions to and participated in drafting of standards for the national "General Technical Requirements for Electrically Driven Ride-on Vehicles for Children". Meanwhile, as a member unit of CPSC, the Group influenced the direction of revisions for U.S. stroller standards, to support the standards compliance of the Company's new products in target markets.

In 2013, the Group achieved substantial progress in terms of eco-friendly materials. The Group pioneered sourcing the use of water-based paint in place of common paint in the industry and successfully started bulk production of the water-based paint. Water-based paint which consists of water diluent, is non-toxic and odour-free, and does not cause any harm to human body nor pollute the environment, and is currently 100% used to produce cribs.

The Group has spent over 3 years studying the application of the "Cradle to Cradle" ("C2C") concept. In 2013, the Group completed another accomplishment in carbonfree and recycling project research — safe recycling by setting up a stroller disassembling production line, with the capability of disassembling 120 strollers per day. Meanwhile, industrial waste from the Group's production bases were 100% sorted and classified for recycled use, realizing added value.

In June 2013, Mr. Song Zhenghuan, Chairman and CEO of the Group was awarded the Walter L. Hurd Executive Medal of 2013 by the Walter L. Hurd Foundation and Asia Pacific Quality Organization. The medal was granted to a Chinese entrepreneur for the first time in two decades, representing a token of the industry's recognition of the quality standards of the Group and witnessing the commitment of the Group as the industry leader, and its endeavors in the production of safe, quality and durable juvenile products. Looking ahead, the Group will continue to design and manufacture quality products specifically for children, and consolidate its position as the leader and standard model in the industry.

5. **Further optimization in the procurement supply chain**

In 2013, the Group continued to consolidate manufacturing resources in China, and actively developed strategic outsourcing. The proportion of outsourced components reached 46.3%, and proportion of outsourced finished products reached 24.7%. In 2013, the supply chain base in Pingxiang Hebei established in 2012 began bulk operation. Its production value increased from approximately HK$173.3 million in 2012 to HK$377.2 million in 2013, representing a growth rate of 177.7%. The combined cost savings of the supply chain base benefits the Group in terms of labor and raw materials, etc. The Group coped with rising costs effectively through strategic outsourcing, innovations in manufacturing processes and internal efficiency improvement plans.

Looking into 2014, the Chinese economy will enter into a period of moderate growth following a period of high growth. While total retail sales for consumption goods will continue to maintain steady growth, the traditional retail consumption market will face more intensive competition from the e-commerce sector. As the largest consumer market for durable juvenile products, the European and North American markets were still clouded with uncertainties although they showed recovery momentum. As a leading enterprise in the global durable juvenile product industry, we will emphasize efficiency and depth of strategy execution in 2014:

(1) Realizing business model upgrade for national and international markets.

In the China market, the Group will make great efforts to promote the transition from channel-driven push marketing to end-user-driven pull marketing, and build an eco, sustainable and fast-growing business platform. In the overseas markets, we will continue to strengthen the partnership with the existing brand customers, develop the operations ("Blue-chip customers") of turnkey product manufacturing while facilitating the development of direct sales operations, with an aim to achieve progress and synergistic development in both Blue-chip and direct sales operations.

(2) Completion of overall market structure.

In the China market, we will refine the end-user channel and structure, and implement downstream penetration and grid management through strengthening our advantageous position in department stores and shopping malls, enhancing our hypermarkets and maternity and childcare specialty chain stores, driving the downstream development of distributor channels and expanding our end-user channels. We will enhance the strategic cooperation with our e-commerce platforms, and further develop and optimize online distributors, online franchise stores and online-exclusive products. In addition, we will commence online branding marketing and develop the "online to offline" (O2O) interactive sales model. In the overseas markets, we will establish and develop localized marketing service platforms, step up our efforts in the implementation of proactive marketing strategies to broaden our customer base. We will invest in market-oriented new products targeting the full spectrum of sales channels and customer base in order to fully cover all market segments.

FINANCIAL REVIEW

Revenue

Total revenue of the Group decreased by 8.0% from approximately HK$4,554.5 million for the year ended 31 December 2012 to approximately HK$4,188.8 million for the year ended 31 December 2013.

Revenue by Geographical Region

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

	As of 31 December				Growth analysis by comparing 2013 with 2012
	2013		2012		
	Sales (HK$ million)	**% of Sales**	Sales (HK$ million)	% of Sales	**Growth**
European Market	**1,015.3**	**24.2%**	1,271.0	27.9%	-20.1%
North America	**1,127.0**	**26.9%**	1,330.1	29.2%	-15.3%
China	**1,357.5**	**32.4%**	1,303.1	28.6%	4.2%
Other Overseas Markets	**689.0**	**16.5%**	650.3	14.3%	6.0%
Total	**4,188.8**	**100.0%**	4,554.5	100.0%	-8.0%

Revenue from the European Market decreased by 20.1% to approximately HK$1,015.3 million for the year ended 31 December 2013 from approximately HK$1,271.0 million for the year ended 31 December 2012, which was mainly attributable to a decline in the demand of the Group's major customers, with partial improvement as a result of the business development of other customers.

Revenue from North America decreased by 15.3% to approximately HK$ 1,127.0million for the year ended 31 December 2013 from approximately HK$ 1,330.1 million for the year ended 31 December 2012. Such decrease was mainly attributable to the reduced demand from one of the Group's key customers.

Revenue from China increased by 4.2% to approximately HK$ 1,357.5 million for the year ended 31 December 2013 from approximately HK$1,303.1 million for the year ended 31 December 2012. The growth of the Chinese market was mainly attributable to the growth of strollers and car seats, which was partially offset by a decline in ride-ons cars.

Revenue from Other Overseas Markets increased by 6.0% to approximately HK$689.0 million for the year ended 31 December 2013 from approximately HK$650.3 million for the year ended 31 December 2012. Such increase was attributable to the increase in revenue from car seats and accessories as well as other durable juvenile products, which was partly offset by a decline in strollers.

Revenue by Products

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

	For the year ended 31 December				Growth analysis
	2013		2012		**2013 vs 2012**
	Sales (HK$ million)	**% of Sales**	Sales (HK$ million)	% of Sales	**Growth**
Strollers and accessories	**1,868.1**	**44.6%**	2,070.6	45.4%	-9.8%
Car seats and accessories	**587.6**	**14.0%**	618.0	13.6%	-4.9%
Other durable juvenile products	**1,733.1**	**41.4%**	1,865.9	41.0%	-7.1%
Total	**4,188.8**	**100.0%**	4,554.5	100%	-8.0%

Revenue from strollers and accessories decreased by 9.8% to approximately HK$1,868.1 million for the year ended 31 December 2013 from approximately HK$2,070.6 million for the year ended 31 December 2012. Such decrease was mainly attributable to decreased revenue from the European, North America and Other Overseas Markets, which was partially offset by increased revenue from China Market.

Revenue from car seats and accessories decreased by 4.9% to approximately HK$587.6 million for the year ended 31 December 2013 from approximately HK$618.0 million for the year ended 31 December 2012. Such decrease was mainly attributable to the decrease in revenue from the European and North America Markets, which was partially offset by the increase in revenue from the China Market and Other Overseas Markets.

Revenue from other durable juvenile products decreased by 7.1% to approximately HK$1,733.1 million for the year ended 31 December 2013 from approximately HK$1,865.9 million for the year ended 31 December 2012. Such decrease was mainly attributable to the decrease in revenue from the European, North America and China Markets, which was partially offset by the increase in revenue from Other Overseas Markets.

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales decreased by12.3% from approximately HK$3,682.6 million for the year ended 31 December 2012 to approximately HK$3,228.2 million for the year ended 31 December 2013. Such decrease was primarily due to the decreased production driven by a lower demand for the products of the Group and better cost efficiency, resulting in a decrease in the costs incurred.

As a result of the foregoing, gross profit increased by 10.2% from approximately HK$871.9 million for the year ended 31 December 2012 to approximately HK$960.6 million for the year ended 31 December 2013. Gross profit margin increased from approximately 19.1% for the year ended 31 December 2012 to approximately 22.9% for the year ended 31 December 2013.

Other Income

Other income decreased by HK$5.4 million to approximately HK$48.6 million for the year ended 31 December 2013 from approximately HK$54.0 million for the year ended 31 December 2012, which was mainly attributable to an decrease in revenues, such as government subsidies, service fees and material sales 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 24.4% to approximately HK$447.0 million for the year ended 31 December 2013 from approximately HK$359.4 million for the year ended 31 December 2012. The increase in selling and distribution costs was primarily due to an increase in transportation expenses ((i.e. The Company, instead of customers, bore the cost of freight delivery, and reduced discount rate accordingly) proactive logistics) and marketing expenses as a result of the adjustment of the marketing model in the PRC market and an increase in transportation expenses and staff expenses as a result of the execution of the proactive marketing strategy in the international market.

Administrative Expenses

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

The administrative expenses increased by 4.9% from approximately HK$343.3 million for the year ended 31 December 2012 to approximately HK$360.0 million for the year ended 31 December 2013. The increase in administrative expenses was primarily attributable to an increase in office expenses and salaries expenses.

Other Expenses

Other expenses increased to approximately HK$11.1 million for the year ended 31 December 2013 from approximately HK$3.4 million for the year ended 31 December 2012. The increase was mainly due to an increase in exchange losses as a result of appreciation in RMB during the period.

Operating Profit

As a result of the foregoing, the operating profit decreased by 13.1% to approximately HK$191.2 million for the year ended 31 December 2013 from approximately HK$219.9 million for the year ended 31 December 2012.

Finance Income

The finance income increased from approximately HK$7.9 million for the year ended 31 December 2012 to approximately HK$ 10.6 million for the year ended 31 December 2013, and all finance income was interest income from bank deposits.

Finance Costs

The finance costs decreased from approximately HK$11.9 million for the year ended 31 December 2012 to approximately HK$ 6.8 million for the year ended 31 December 2013. The decrease was mainly attributable to usage of U.S. dollar loans with lower interest rate all through the year of 2013.

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 9.7% from approximately HK$215.9 million for the year ended 31 December 2012 to approximately HK$ 194.9 million for the year ended 31 December 2013.

Income Tax Expenses

The income tax expenses were approximately HK$23.8 million for the year ended 31 December 2013, whereas income tax were approximately HK$32.8 million for the year ended 31 December 2012. The effective tax rate for the year ended 31 December 2013 was 12.2%, and the effective tax rate was 15.2% for the year ended 31 December 2012.

Profit for the Year

Profit for the Year decreased by 6.5% from approximately HK$183.1 million for the year ended 31 December 2012 to approximately HK$171.1 million for the year ended 31 December 2013.

Working Capital and Financial Resources

	As at 31 December 2013 (HK$ million)	As at 31 December 2012 (HK$ million)
Trade and notes receivables (including trade receivables due from related parties)	**974.2**	892.7
Trade and notes payables	**714.4**	791.3
Inventories	**798.0**	624.9
Trade and notes receivables turnover days[1]	**81**	66
Trade and notes payables turnover days[2]	**85**	82
Inventories turnover days[3]	**80**	65

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 note receivables increased by HK$81.5 million from approximately HK$892.7 million as at 31 December 2012 to approximately HK$974.2 million as at 31 December 2013. The increase was mainly attributable to extensions of the payment terms of major distributors in order to further support the expansion of distribution channels of the major distributors in the China market. That will benefit the revenue growth and future development of the Company.

The balance of trade and notes payables decreased by HK$76.9 million from approximately HK$791.3 million as at 31 December 2012 to approximately HK$714.4 million as at 31 December 2013. The decrease was mainly due to a decrease in the procurement volume.

The balance of inventories increased by HK$173.1 million from approximately HK$624.9 million as at 31 December 2012 to approximately HK$798.0 million as at 31 December 2013. The increase was mainly attributable to the early provision for products made by the Group for the peak period of sales.

Liquidity and Financial Resources

The Group has established a sound cash management system, including a dedicated cash management division for managing liquidity of the Group, and an accountability system under which each operating unit is responsible for its own cash flows.

The Group generally finances operations and future plans with liquid funds from cash flows generated internally by operating activities and from banking facilities.

As at 31 December 2013, the Group's cash and cash equivalents were approximately HK$608.3 million, of which: HK$469.3 million were denominated in Renminbi, HK$123.9 million were denominated in U.S. dollars, HK$12.2 million were denominated in HK dollars and HK$2.9 million were denominated in other currencies. (as at 31 December 2012: approximately HK$633.0 million, of which: HK$525.4 million were denominated in Renminbi, HK$100.2 million were denominated in U.S. dollars, HK$1.3 million were denominated in HK dollars and HK$6.1 million were denominated in other currencies.)

As at 31 December 2013, the Group's interest-bearing bank borrowings were approximately HK$447.2 million (as at 31 December 2012: approximately HK$220.8 million), all were denominated in U.S. dollars (as at 31 December 2012: all were denominated in U.S. dollars). Bank borrowings as at 31 December 2013 and those in corresponding period were charged at variable interest rate.

Contingent Liabilities

As at 31 December 2013, the Group had no material contingent liabilities (as at 31 December 2012: nil).

Exchange Rate Fluctuations

The Group's revenue is mainly denominated in U.S. dollars and Renminbi. The cost of sales and operating expenses are mainly denominated in Renminbi. For the year ended 31 December 2013, approximately 67.6% of the Group's revenue was denominated in U.S. dollars. The Group's gross profit margin will be adversely affected if Renminbi appreciates against the U.S. dollar and the Group is unable to increase the U.S. dollar selling prices of the products sold to the overseas customers. Renminbi appreciated by approximately 3.1% against the U.S. dollar during the year ended 31 December 2013.

Pledge of Assets

As of 31 December 2013, some of the Group's interest bearing bank borrowings were secured by intragroup trade receivables of approximately HK$479.8 million (as at 31 December 2012: approximately HK$246.2 million), and such trade receivables were eliminated by offsetting in the consolidated financial statements of the Group.

Gearing Ratio

As of 31 December 2013, 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 loans and borrowings (current and non-current), dividends payable and amounts due to related parties, minus cash and cash equivalents) was approximately 28.5% (as at 31 December 2012: approximately 26.8%).


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Directors & Senior Management

DIRECTORS

Executive Directors

SONG Zhenghuan (宋鄭還), aged 65, is an executive Director, chairman and chief executive officer of our Company and the founder of our Group. With more than 24 years of experience in the juvenile products industry, Mr. Song is primarily responsible for our Group's overall strategic planning and management of our Group's business. Mr. Song majored in mathematics and graduated from Jiangsu Teachers University (江蘇師範學院) in 1981 with a Certificate of Graduation. Prior to establishing our Company, Mr. Song was a teacher in Lujia Middle School in Kunshan City from 1973 to 1984 and was the vice principal from 1984 to 1993. Concurrently, between 1989 and 1993, Mr. Song was also in charge of a factory run by Lujia Middle School as encouraged by the then PRC governmental policy, which was the predecessor of Goodbaby Group Co., Ltd., the Company's major founding shareholder. In 1989, Mr. Song invented the first "push and rock" stroller and subsequently founded Goodbaby Group Co., Ltd. to engage in the design, manufacture and marketing of strollers under the "好孩子 Goodbaby" brand in China. In 1990, our Group was granted a 10-year patent in China for "push and rock" stroller invented by Mr. Song.

Because of Mr. Song's outstanding achievements, he was awarded the Ernst & Young Entrepreneur of the Year Award (安永企業家獎) for the greater China region in 2007. In 2008, Mr. Song was awarded the "Chinese Toy Industry's Outstanding Achievement Award" (中國玩具行業傑出成就獎) by the China Toy Association and thus far is the only recipient of such award.

Mr. Song is currently a director of the following companies in our Group:

(i) Goodbaby Child Products Co., Ltd. (好孩子兒童用品有限公司);

(ii) Ningbo Goodbaby Child Products Co., Ltd. (寧波好孩子兒童用品有限公司);

(iii) Paragon Child Products Co., Ltd. (昆山百瑞康兒童用品有限公司);

(iv) Jiangsu EQO Testing Services Co., Ltd. (江蘇億科檢測技術服務有限公司);

(v) Aria Child Inc. (formerly known as Goodbaby Children's Products, Inc.);

(vi) Goodbaby (Hong Kong) Limited;

(vii) Goodbaby Japan Co., Ltd.;

(viii) Turn Key Design B.V.;

(ix) Turn Key Design Cooperatie U.A.;

(x) GB Mex B.V.; and

(xi) Aria Child B.V..

Mr. Song is also a director of Pacific United Developments Limited ("PUD"), a substantial shareholder of the Company, and an indirect shareholder of PUD through Cayey Enterprises Limited.

WANG Haiye (王海燁), aged 48, is our vice president and was appointed as an executive Director of our Company on 19 August 2010. Mr. Wang was our chief operating officer for the period from 18 March 2011 to 17 August 2012. Mr. Wang is primarily responsible for the oversight of international sales and production of our products. Mr. Wang joined our Group in 1992 and has over 21 years of experience in manufacturing juvenile products. Mr. Wang was appointed as our manager for the operations management department in 1995, responsible for establishing and improving the Company's operations management system. Mr. Wang was appointed as the Company's vice president in 1999, overseeing the Company's manufacturing operations, including production, purchasing, quality control and outsourcing. During his appointment, Mr. Wang initiated and established the Company's manufacturing resources planning system, which was subsequently upgraded to the ERP system in 2008. Under Mr. Wang's leadership and initiatives, we effectively expanded our production capabilities, which supported a sustainable growth in sales. Mr. Wang graduated from Xiamen University in 1989 with a Bachelor's degree in management statistics.

Mr. Wang is currently a director of the following subsidiaries of our Company:

(i) Goodbaby Child Products Co., Ltd. (好孩子兒童用品有限公司);

(ii) Paragon Child Products Co., Ltd. (昆山百瑞康兒童用品有限公司);

(iii) Goodbaby Child Products Ping Xiang Co., Ltd.* (好孩子兒童用品平鄉有限公司);

(iv) Ningbo Goodbaby Child Products Co., Ltd. (寧波好孩子兒童用品有限公司);

(v) Jiangsu EQO Testing Services Co., Ltd. (江蘇億科檢測技術服務有限公司);

(vi) Goodbaby (Hong Kong) Limited;

(vii) Aria Child Inc. (formerly known as Goodbaby Children's Products Inc.);

(viii) Goodbaby Japan Co., Ltd.;

(ix) Turn Key Design B.V.; and

(x) Turn Key Design Cooperatie U.A.

Mr. Wang is also a director of PUD, a substantial shareholder of the Company, and an indirect shareholder of PUD through Powergain Global Limited.

Martin POS, aged 44, has been appointed as an executive Director of the Company on 18 March 2014. Mr. Pos is primarily responsible for the management of the Company's Portfolio of Global Brands. Mr. Pos is an entrepreneur with an international background and has over 20 years' industry experience in development and management of premium lifestyle brands, global distribution, design and development of premium technical juvenile products. At the age of 23, Mr. Pos started his career in 1993 at Germany's leading car seat company Concord GmbH ("Concord") as the global sales and marketing director. In 2000, Mr. Pos took over the lead of Concord as an executive director. In 2003, Mr. Pos started his entrepreneurial career and founded his first company, Columbus Trading-Partners GmbH, which evolved very quickly to a leading distribution and brand development company in Germany, Austria and Switzerland. In 2005, Mr. Pos founded CYBEX, a fast growing premium juvenile lifestyle and technology brand, that is firmly focused on the creation of premium technology and design products, combined with innovative functionality focusing on parents who do not want to compromise in quality and design. CYBEX won over 100 awards for child safety, design and innovation, such as Germany's ADAC safety award and numerous Red Dot Design awards.

Mr. Pos is currently a director of the following companies in our Group:

(i) Columbus Holding GmbH

(ii) Cybex Industrial Ltd.

(iii) Cybex GmbH

Michael Nan QU (曲南), aged 46, was appointed as an executive Director on 18 March 2014. Mr. Qu has been the Group's vice president primarily responsible for managing key overseas accounts and strategic overseas resources of the Group from 1994 to 2014. Mr. Qu joined the Group in 1994 and he is one of the founding members of the overseas business of the Group. Mr. Qu studied economics in the Economics School of Peking University from 1986 to 1989, then went to the United States to study business administration at George Mason University from 1989 to 1992.

Mr. Qu is currently a director and executive vice president of Aria Child Inc. (formerly known as Goodbaby Children's Products, Inc.), a subsidiary of the Company.

* *For identification purpose only*

Non-Executive Directors

CHIANG Yun (張昀), aged 46, has been a Director of our Company since July 2000 and was re-designated as a non-executive Director in November 2007 to reflect her actual role in the Company as she was not and is not involved in the day-to-day management and operation of the Company. Ms. Chiang has over 20 years of private equity investment experience in Asia. Ms. Chiang is a founding managing partner of Pacific Alliance Equity Partners Limited and ARC Capital Partners Limited, the private equity division of Pacific Alliance Group. ARC Capital Partners Limited is the investment manager of ARC Capital Holdings Limited, an AIM-listed private equity fund launched in June 2006. Prior to the founding of Pacific Alliance Equity Partners Limited and ARC Capital Partners Limited, Ms. Chiang was a Vice President of AIG Global Investment. Ms. Chiang is an independent non-executive director of Sands China Ltd., which is a company listed on the Stock Exchange. Ms. Chiang is also a managing partner of PAG Asia Capital (HK) Ltd. since June 2011. Ms. Chiang received her Degree of Executive Master of Business Administration from The Kellogg Graduate School of Management of Northwestern University in the U.S. and Hong Kong University of Science and Technology in 1999. Ms Chiang also received her Bachelor of Science degree, cum laude, from Virginia Polytechnic Institute and State University in the U.S. in 1992.

Ms. Chiang ceased to be a director of the following subsidiaries of the Company on 14 February 2014:-

(i) Goodbaby Child Products Co., Ltd. (好孩子兒童用品有限公司);

(ii) Ningbo Goodbaby Child Products Co., Ltd. (寧波好孩子兒童用品有限公司);

(iii) Paragon Child Products Co., Ltd. (昆山百瑞康兒童用品有限公司);

(iv) Kunshan Goodbaby Tommee Tippee Child Products Co., Ltd. (昆山好孩子湯美天地嬰兒用品有限公司);

(v) Jiangsu EQO Testing Services Co., Ltd. (江蘇億科檢測技術服務有限公司);

(vi) Aria Child Inc. (formerly known as Goodbaby Children's Products, Inc.);

(vii) Goodbaby Japan Co., Ltd.;

(viii) Turn Key Design B.V.;

(ix) Turn Key Design Cooperatie U.A.; and

(x) Goodbaby (Hong Kong) Limited.

HO Kwok Yin, Eric (何國賢), aged 57, was appointed as a non-executive Director of our Company on 1 February 2013. Mr. Ho has over 21 years of experience as a solicitor practising primarily corporate laws and in the areas of mergers and acquisitions, private equity and other financing transactions. Mr. Ho was a founding partner of Sidley Austin's Hong Kong office and remained a partner of the firm until his retirement in 2010. Prior to joining Sidley Austin in 1999, Mr. Ho practised as a partner of Allen & Overy's Hong Kong office and before then at other major law firms in Hong Kong as associate following his admission as a solicitor of the Supreme Court of England and Wales in 1987 and admission as a solicitor of the High Courts of Hong Kong in 1988. Mr. Ho received a Bachelor of Social Science Degree from the Chinese University of Hong Kong in 1980.

Mr. Ho was appointed as a director of Goodbaby (Europe) Group Limited on 10 January 2014 and a consultant of G-Baby Holdings Limited on 1 January 2014. Mr. Ho was also appointed as a consultant of Kaisa Group Holdings Ltd. (Stock Code: 1638), a company listed on the Stock Exchange, on 31 March 2013.

Independent Non-Executive Directors

Iain Ferguson BRUCE, aged 73, was appointed as an independent non-executive Director of our Company on 5 November 2010. Mr. Bruce joined KPMG in Hong Kong in 1964 and was elected to its partnership in 1971. He was the senior partner of KPMG from 1991 until his retirement in 1996 and served as chairman of KPMG Asia Pacific from 1993 to 1997. Since 1964, Mr. Bruce has been a member of the Institute of Chartered Accountants of Scotland, and is a fellow of the Hong Kong Institute of Certified Public Accountants, with over 49 years of international experience in accounting and consulting. He is also a fellow of The Hong Kong Institute of Directors and a member of Hong Kong Securities and Investment Institute. Mr. Bruce was an independent non-executive director of China Medical Technologies, Inc,. a company listed on NASDAQ, up to 3 July 2012.

Mr. Bruce is currently a director of the following listed companies:

- independent non-executive director of Louis XIII Holdings Ltd (formerly known as Paul Y. Engineering Group Limited), a company listed on the Stock Exchange;
- independent non-executive director of Tencent Holdings Limited, a company listed on the Stock Exchange;
- independent non-executive director of Vitasoy International Holdings Limited, a company listed on the Stock Exchange;
- independent non-executive director of Wing On Company International Limited, a company listed on the Stock Exchange;
- independent non-executive director of Sands China Ltd., a company listed on the Stock Exchange;
- non-executive director of Noble Group Limited, a company listed on The Singapore Exchange Securities Trading Limited; and
- non-executive director of Yingli Green Energy Holding Company Limited, a company listed on the New York Stock Exchange.

Mr. Bruce is an independent non-executive director of Citibank (Hong Kong) Limited and MSIG Insurance (Hong Kong) Limited. He is also the chairman of KCS Limited. Mr. Bruce has over 49 years of experience in the accounting profession and possesses the accounting and related financial management expertise required under rule 3.10(2) of the Listing Rules.

SHI Xiaoguang (石曉光), aged 67, was appointed as an independent non-executive Director of our Company on 5 November 2010. In January 2012, Mr. Shi became the member of the Governance Board of the ICTI CARE Foundation. Mr. Shi has been the chairman of China Toy & Juvenile Products Association (中國玩具和嬰童用品協會) (formerly known as the China Toy Association (中國玩具協會)) and a director of the International Council of Toy Industries since 2005. In October 2000, Mr. Shi was appointed as the vice-chairman of the National Technical Committee of Standardization for Toys by the General Administration of Quality Supervision Inspection and Quarantine. China Toy & Juvenile Products Association routinely provides information and holds training seminars on toy safety, product design and market development. The scope of the responsibilities of China Toy & Juvenile Products Association spans from recommending the safety standards and/or regulations of durable juvenile products which the Group designs and manufactures to recommending the safety standards and/or regulations of other general toys and related products in the industry. Mr. Shi graduated from Beijing University of Chemical Technology (北京化工大學) (formerly known as Beijing College of Chemical Technology (北京化工學院)) with a Bachelor's degree in chemical apparatus and engineering in July 1974. Mr. Shi served as the vice-chairman of the department of general administration of The Ministry of Science and Technology from 1985 to 1987. He became a certified engineer in the PRC in September 1987, as granted by the State Scientific and Technological Commission (國家科學技術委員會). From November 1987 to November 1990, he served as the deputy general of China National Scientific Instruments and Materials Corporation (中國科學器材公司). Mr. Shi was appointed as the chairman of the service centre of The Ministry of Light Industry in 1989. From 1993 to 2007, he served as the general manager of China National Arts & Crafts (Group) Corporation (中國工藝美術集團公司) (formerly known as China National Arts & Crafts Corporation (中國工藝美術總公司)).

SENIOR MANAGEMENT

LIU Tongyou (劉同友), aged 46, is our vice president and the chief financial officer primarily responsible for the legal and corporate finance affairs and investor relationship of the Group. Mr. Liu joined our Group in 1995 and has over 19 years of experience in the children's products industry. Mr. Liu graduated from Tianjin University of Finance & Economics (天津財經大學) with a Master's degree in economics in 1992. From March 1993 to July 1995, Mr. Liu served as a director of Beijing Standard Consultancy Company (北京標準諮詢公司) responsible for consulting on the restructuring and listing of a number of companies established in the PRC including Hainan Airlines Company Limited (海南航空股份有限公司), a company listed on the Shanghai Stock Exchange. Since October 2008, Mr. Liu has been a part-time professor of the Business School of Tianjin University of Finance & Commerce (天津財經大學商學院).

Gregory E. Mansker, aged 57, is our chief executive officer of overseas markets, primarily responsible for strategic marketing and business development. Mr. Mansker joined our Group in October 2011 and has over 27 years' experience in international business development, offshore sourcing and mergers and acquisitions. Mr. Mansker was staff counsel of Graco Children's Products, Inc. from 1981 to 1983 and staff counsel for Ferranti International plc USA divisions from 1983 to 1989. He served as the vice president of the international division and the vice president of global marketing of the Graco Division of Newell Rubbermaid from 1989 to 1998 and from 1998 to 2001, respectively. From 2001 to 2002, Mr. Mansker was a management consultant at CF Capital Group. He then served as the chief executive officer of Chicco USA, Inc. (division of Artsana S.P.A.) from 2003 to 2009 and the chief executive officer of Iron Mountains LLC. from 2009 to 2011. Mr. Mansker received his bachelor's degree in pre-law from Bob Jones University in 1978 and his juris doctor degree from Villanova University in 1981. Mr. Mansker is admitted to practice law in the states of Pennsylvania and New York in the United States. He was a board member of the JPMA trade association from 2000 to 2002 and 2005 to 2011, and the board chairman in 2009. He is currently a board member of First Candle, a children's health organization in the United States.

HE Xinjun (賀新軍), aged 54, is our vice president and a senior engineer, primarily responsible for the market research, product development and design of our products. Mr. He joined our Group in 1995 as a design engineer and has over 19 years of experience in designing juvenile products. Mr. He graduated from Gansu Radio and Television University (甘肅廣播電視大學) majoring in mechanical engineering.

ZHU Yunlong (竺雲龍), aged 46, is our vice president primarily responsible for overseeing the whole quality control process and functions of the Group and the chief operating officer of the Company. Mr. Zhu joined the Group in 2006 and he has since then successfully integrated international advanced quality management concepts and tools into the management system and culture of the Group and achieved remarkable results.

Prior to joining the Group, Mr. Zhu was the regional quality director of Electra Consumer Products from 2005 to 2006. Mr. Zhu has also worked as a quality director for Concord Camera (HK) Limited from 2004 to 2005. Mr. Zhu obtained his Doctorate of Business Administration (DBA) from Grenoble Ecole de Management in June 2011 and won the second prize of the 2012 EDAMBA (European Doctoral Programmes Association in Management and Business Administration) thesis competition. Mr. Zhu obtained his Master's degree in Business Administration from the Southern Illinois University Carbondale of the United States in May 2001 and was awarded the "Best Student Award". Mr. Zhu was elected as director of the ninth board of directors of China Association for Quality (中國質量協會) in June 2012. He has been serving as the vice-chairman of Kunshan Quality Association (昆山質量協會) and the director of Shanghai Quality Association (上海質量協會) since March 2008. He has been appointed as a member of the expert team of the Technical Committee of Standardization for Toys of the China Toy & Juvenile Products Association (中國玩具和嬰童用品協會全國玩具標準化技術委員會) since June 2008. Mr. Zhu received "Kunshan Senior Level Innovation and Entrepreneur Talent Award" (昆山市高層次創新創業人才獎) in 2011. He is also a member of the fourth "333 Senior Level Talent Nurture Engineering of Jiangsu Province (江蘇省第四期 「333 高層次人才培養工程」 培養對象)".

COMPANY SECRETARY

PAU Lai Mei (鮑麗薇), aged 54, is the company secretary of our Company and was appointed on 5 November 2010. Ms. Pau has been with the Corporate Services Division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services since 2004. Her current position is director – corporate services. Ms. Pau is a Chartered Secretary and a fellow member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She is also the joint company secretary of Baoxin Auto Group Limited (Stock Code: 1293), a company whose shares are listed on the Stock Exchange. She has more than 29 years of working experience in the field of corporate secretarial services.


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Corporate Governance Report

The board (the "Board") of directors (the "Directors") of the Company is pleased to present this corporate governance report in the annual report for the year ended 31 December 2013.

The manner in which the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") are applied and implemented is explained in the following sections of this corporate governance report:

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards. It 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 as set out in the CG Code 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 2013, the Company has complied with all the code provisions and, where appropriate, adopted the recommended best practices as 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 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 2013, there have been 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. However, consequent upon the resignation of Mr. LONG Yongtu as an independent non-executive Director with effect from 18 March 2014, the Company has two independent non-executive Directors. The Board has proposed to the shareholders to re-designate an existing non-executive Director, Ms. CHIANG Yun as independent non-executive Director at the 2014 annual general meeting.

The Company is committed to enhancing its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with the CG Code and align with the latest developments.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2013.

The Company has also established a code of conduct no less exacting than the Model Code (the "Employees Code of Conduct") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Code of Conduct by the employees was noted by the Company.

THE BOARD

BOARD COMPOSITION

The Board currently comprises eight members, consisting of four executive Directors, two non-executive Directors and two independent non-executive Directors, namely as follows:

Executive Directors

Mr. SONG Zhenghuan
(chairman & chief executive officer)
Mr. WANG Haiye *(vice president)*
Mr. Martin POS *(appointed by the Board on 18 March 2014)*
Mr. Michael Nan QU *(appointed by the Board on 18 March 2014)*

Non-executive Directors

Ms. CHIANG Yun *(member of audit, nomination and remuneration committees since 18 March 2014)*
Mr. HO Kwok Yin, Eric

Independent non-executive Directors

Mr. Iain Ferguson BRUCE *(chairman of audit, nomination and remuneration committees)*
Mr. SHI Xiaoguang *(member of audit, nomination and remuneration committees)*
Mr. LONG Yongtu (resigned on 18 March 2014)
(member of audit, nomination and remuneration committees until 18 March 2014)

The biographical information of the Directors are set out in the section headed "Directors' and Senior Management" on pages 23 to 29 of this annual report.

None of the members of the Board is related to one another, save and except that Mr. WANG Haiye, executive Director and vice president, is the nephew of Mr. SONG Zhenghuan, the chairman, chief executive officer and executive Director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2013, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

Mr. LONG Yongtu has resigned as an independent non-executive Director and a member of audit, nomination and remuneration committees of the Company with effect from 18 March 2014. Consequent upon Mr. Long's resignation, the Company has two independent non-executive Directors. The Board has assessed the independence of Ms. CHIANG Yun, non-executive Director, who has confirmed her independence from the Company in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules and the Board is of the opinion that Ms. Chiang is the suitable candidate to fill the vacancy of independent non-executive Director of the Company. The Board has therefore recommended the shareholders to approve the re-designation of Ms. Chiang as independent non-executive Director of the Company at the 2014 annual general meeting of the Company.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Directors take decisions objectively in the interests of the Company. The Board has delegated to the chief executive officer, and through him, to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established board committees and has delegated to these board committees various responsibilities as set out in their respective terms of reference.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have access to all the information of the Company as well as the services and advice of the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors have disclosed to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors keep abreast of responsibilities as Directors and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company. An induction was provided to each of Mr. Martin POS and Mr. Michael Nan QU who joined the Board on 18 March 2014.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internal briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2013, all Directors were required to provide the Company with a record of the training they received on a half yearly basis, and such records were maintained by the Company. Save for Mr. Iain Ferguson BRUCE, who attended more than 30 hours of training, each of the other Directors received 5 hours of training in 2013.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract/signed an appointment letter with the Company and is appointed for a specific term of three years unless terminated by not less than three months' notice in writing served by either the executive Director or the Company.

Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with the Company and is appointed for a specific term of three years.

The appointments of all Directors are subject to the provisions of retirement and rotation of Directors under the Company's articles of association.
In accordance with the Company's articles of association, all Directors of the Company are subject to retirement by rotation at least once every three years and any new Director appointed to fill a causal vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment. Any new Director appointed as an addition to the Board shall submit himself/herself for re-election by shareholders at the next following annual general meeting.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's articles of association.
The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

BOARD COMMITTEES

The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

Throughout the year ended 31 December 2013, all members of each Board committee were independent non-executive Directors. With effect from 18 March 2014, the majority of the members of each Board committee have been independent non-executive Directors. A list of the chairman and members of each Board committee is set out under "Corporate Information" on pages 3 to 5 of this annual report.

Mr. LONG Yongtu has resigned as an independent non-executive Director and a member of each of the Audit Committee, Nomination Committee and Remuneration Committee of the Company on 18 March 2014. Following his resignation, the Board has appointed Ms. CHIANG Yun, non-executive Director, as a member of each of the Audit Committee, Nomination Committee and Remuneration Committee of the Company on 18 March 2014.

AUDIT COMMITTEE

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held three meetings on 1 February 2013, 19 March 2013 and 23 August 2013 to review the use of IPO proceeds, annual financial results and report in respect of the year ended 31 December 2012 and interim financial results and report for the six months ended 30 June 2013 as well as significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, connected transactions and arrangements for employees to raise concerns about possible improprieties.

During the year ended 31 December 2013, the Audit Committee also met the external auditors twice without the presence of the executive Directors.

REMUNERATION COMMITTEE

The primary functions of the Remuneration Committee include determining/reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee held three meetings on 1 February 2013, 19 March 2013 and 31 October 2013 to review and determine/make recommendation to the Board on the appointment letter of Mr. HO Kwok Yin, Eric as non-executive Director and his remuneration package, the remuneration packages of the Directors and senior management for 2013, the new service contracts of executive Directors and the appointment letters of non-executive Directors and independent non-executive Directors.

On 18 March 2014, the Remuneration Committee held a meeting to, inter alia, review and determine/make recommendation to the Board on the appointment letters of Mr. Martin POS and Mr. Michael Nan QU as executive Directors, the appointment letter of Ms. CHIANG Yun as independent non-executive Directors and their respective remuneration packages.

NOMINATION COMMITTEE

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors. External recruitment professionals might be engaged to carry out recruitment and selection process when necessary.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

The Nomination Committee held three meetings on 1 February 2013, 19 March 2013 and 31 October 2013 to review the structure, size and composition of the Board, the change of non-executive Directors, the independence of the independent non-executive Directors, and to consider the qualifications of the retiring directors standing for election at the annual general meeting as well as the new service contracts of executive Directors and the appointment letters of non-executive Directors and independent non-executive Directors.

On 18 March 2014, the Nomination Committee held a meeting to, inter alia, review and accept the resignation of Mr. LONG Yongtu as independent non-executive Director, assess the independence of Ms. CHIANG Yun from the Company and approve the proposed re-designation of Ms. CHIANG Yun, an existing non-executive Director, as independent non-executive Director as well as the appointment of Mr. Martin POS and Mr. Michael Nan QU as executive Directors.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties as set out in the Corporate Governance Functions of the Board adopted by the Company including:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with CG Code and disclosure in the corporate governance report in the annual report of the Company.

The Board may delegate the corporate governance duties to a committee of the Board.

BOARD DIVERSITY POLICY

During the year, the Board adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualification, skills, knowledge and industry and regional experience. The Nomination Committee will discuss and agree on the measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. The Company aims to maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional qualification, skills, knowledge and industry and regional experience. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

BOARD MEETINGS

BOARD PRACTICES AND CONDUCT OF MEETINGS

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Notice of regular Board meetings is served to all Directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

Where necessary, the senior management attend regular Board meetings and other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The Company's articles of association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings and the general meeting of the Company held during the year ended 31 December 2013 is set out in the table below:

	Attendance/Number of Meetings in 2013				
Name of Director	Board	Nomination Committee	Remuneration Committee	Audit Committee	Annual General Meeting
SONG Zhenghuan	4/4				1/1
WANG Haiye	3/4				0/1
Christopher Marcus GRADEL (resigned on 1 February 2013)	0/4				0/1
HO Kwok Yin, Eric (appointed on 1 February 2013)	3/4				1/1
CHIANG Yun	4/4				1/1
Iain Ferguson BRUCE	4/4	3/3	3/3	3/3	1/1
SHI Xiaoguang	3/4	2/3	2/3	2/3	1/1
LONG Yongtu (resigned on 18 March 2014)	4/4	3/3	3/3	3/3	0/1

Apart from regular Board meetings, the chairman also held a meeting solely with the non-executive Directors (including independent non-executive Directors) on 23 August 2013.

ACCOUNTABILITY AND AUDIT

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2013.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 62 to 63.

INTERNAL CONTROLS

During the year under review, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets and with the support of the Audit Committee, reviewing the effectiveness of such system on an annual basis.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The internal auditor reviews and evaluates the control process, monitors any risk factors on a regular basis, and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

The key elements of the Group's internal control system include the following:

- An organizational structure with clearly defined and distinct lines of authority and control responsibilities
- A comprehensive financial accounting system to provide for performance measurement indicators and to ensure compliance with relevant rules
- Annual plans prepared by senior management on financial reporting, operations and compliance with reference to potential significant risks
- Strict prohibition of unauthorized expenditures and release of confidential information
- Specific approval from executive director/ responsible senior executive prior to commitment in all material matters
- Appropriate policy to ensure the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget
- Review and evaluation of the control process and monitoring of any risk factors on a regular basis by the management; and report by the same to the Audit Committee on any findings and measures to address the variances and identified risks.

EXTERNAL AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2013 amounted to HK$4,386,000 and HK$506,000 respectively.

An analysis of the remuneration paid to the external auditors of the Company, Ernst & Young, in respect of audit services and non-audit services for the year ended 31 December 2013 is set out below:

Service Category	**Fees Paid/ Payable**
Audit Services	HK$4,386,000
Non-audit Services	HK$506,000
• Preparation of FY2012 Transfer Pricing Documentation reports in Chinese (HK$125,000)	
• Preparation of FY2012 Transfer Pricing Documentation reports in English (HK$188,000)	
• TP audit defense (HK$193,000)	

COMPANY SECRETARY

Ms. PAU Lai Mei of Tricor Services Limited, external service provider, has been engaged by the Company as its company secretary. Its primary contact person at the Company is Ms. WANG Qi, Legal & Compliance Director of the Company.

The company secretary's biography is set out in the section headed "Directors and Senior Management" on pages 23 to 29 of this annual report. During 2013, the company secretary undertook over 15 hours of professional training to update her skills and knowledge.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of senior management of the Group. Details of the remuneration of each of the Directors of the Company for the year ended 31 December 2013 are set out in note 9 to the financial statements.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. The chairman of the Board, non-executive Directors, independent non-executive Directors, and the chairmen of all Board committees (or their delegates) will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

However, due to other commitments, an executive Director, Mr. WANG Haiye, and an independent non-executive Director, Mr. LONG Yongtu who resigned on 18 March 2014 did not attend the annual general meeting held on 24 May 2013. Mr. Wang will use his best endeavours to attend future general meetings of the Company.

The 2014 annual general meeting ("AGM") of the Company will be held on 23 May 2014. The notice of AGM was sent to the shareholders at least 20 clear business days before the AGM.

To promote effective communication, the Company maintains a website at www.gbinternational.com.hk, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

During the year under review, the Company has not made any changes to its articles of association. An up-to-date version of the Company's articles of association is also available on the Company's website and the Stock Exchange's website.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors.

Except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, all resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules. Poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EGM (INCLUDING MAKING PROPOSAL(S)/MOVING RESOLUTION(S) AT THE EGM)

- Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board of the Company or the company secretary of the Company (the "Company Secretary"), to require an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

- Eligible Shareholders who wish to convene an EGM for the purpose of making proposal(s) or moving resolution(s) at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned at the principal place of business of the Company in Hong Kong at Room 2001, 20th Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for the attention of the Company Secretary.

- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted in the EGM, signed by the Eligible Shareholder(s) concerned.

- The Company will check the Requisition and the identity(ies) and the shareholding(s) of the Eligible Shareholder(s) will be verified with the Company's branch share registrar in Hong Kong. If the Requisition is found to be proper and in order, the Board will be asked to convene an EGM within 2 months and/or include the proposal(s) or the resolution(s) proposed by the Eligible Shareholder(s) at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM and/or include the proposal(s) or the resolution(s) proposed by the Eligible Shareholder(s) at the EGM.

- The notice period to be given to all the registered shareholders for consideration of the proposal raised by the Eligible Shareholder(s) concerned at an EGM varies according to the nature of the proposal, as follows:

  — at least twenty-one (21) clear days' notice in writing if the proposal constitutes a special resolution of the Company, which cannot be amended other than to a mere clerical amendment to correct a patent error; and

  — at least fourteen (14) clear days' notice in writing if the proposal constitutes an ordinary resolution of the Company.

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

Shareholders may propose a person for election as Director, the procedures for which are available on the Company's website in the section of "Corporate Governance" under the column of "Investor Relations".

PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board of the Company, shareholders may send their enquiries and concerns to the Board by addressing them to the Head of Compliance Department to the Company's principal place of business in Hong Kong at Room 2001, 20th Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong by post, or by email to enq_to_board@gbinternational.com.hk.

For the avoidance of doubt, shareholder(s) must deposit/send the original duly signed written enquiries or concerns (as the case may be) to Company's aforesaid address and provide his/her/their full name(s) and contact details in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Note: The Company will not normally deal with verbal or anonymous enquiries.

Report of the Board of Directors

The Directors are pleased to present their report and the audited financial statements for the year ended 31 December 2013 of the Group.

MAJOR BUSINESS

The Company is an investment holding company, and its subsidiaries are principally engaged in the design, research and development, manufacture, marketing and sale of strollers, children's car safety seats, cribs, bicycles and tricycles, and other durable juvenile products. The analysis of the revenue of the Group for the year is set out in note 5 to the Financial Statements.

FINANCIAL STATEMENTS

The results of the Group for the year are set out in the Consolidated Statement of Profit or Loss on page 64 and the Consolidated Statement of Comprehensive Income on page 65. The financial position as at 31 December 2013 of the Group are set out in the Consolidated Statement of Financial Position on pages 66 to 67. The cash flow of the Group during the year is set out in the Consolidated Statement of Cash Flows on pages 69 to 70.

SHARE CAPITAL

The changes in share capital of the Group during the year are set out in note 30 to the Financial Statements.

FINAL DIVIDEND

At the Board meeting held on 18 March 2014, it was proposed that a final dividend of HK$0.05 per ordinary share representing a total distribution of approximately HK$55.045 million be paid on 6 June 2014 to the shareholders of the Company whose names appear on the Company's register of members on 3 June 2014. The proposed final dividend is subject to approval by the shareholders at the annual general meeting of the Company to be held on 23 May 2014.

There is no arrangement that any shareholder of the Company has waived or agreed to waive any dividends.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of ascertaining the members' eligibility to attend and vote at the annual general meeting and determining the members' entitlement to the proposed final dividend for the year ended 31 December 2013, the Company' s register of members will be closed during the following periods respectively:

(A) For ascertaining eligibility to attend and vote at the annual general meeting:

• Latest time to lodge transfers documents for registration	4:30 pm on 20 May 2014 (Tuesday)
• Closure of register of members	21 May 2014 (Wednesday) to 23 May 2014 (Friday) (both days inclusive)

(B) For ascertaining entitlement to the proposed final dividend:

• Latest time to lodge transfers documents for registration	4:30 pm on 28 May 2014 (Wednesday)
• Closure of register of members	29 May 2014 (Thursday) to 3 June 2014 (Tuesday) (both days inclusive)
• Record date	3 June 2014 (Tuesday)

To be eligible to attend and vote at the annual general meeting, and to qualify for the proposed final dividend, all duly stamped instruments of transfers, 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 respective latest time as stated above.

RESERVE

Details of the changes in reserve of the Group during the year are set out in note 32 to the Financial Statements.

As at 31 December 2013, the reserves of the Company available for distribution to shareholders was approximately HK$857.6 million.

PROPERTY, PLANT AND EQUIPMENT

The changes in property, plant and equipment during the year are set out in note 15 to the Financial Statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the percentage of purchases attributable to the Group's five largest suppliers combined was less than 13.0% of the Group's total purchase. The percentages of sales for the year attributable to the Group's major customers are as follows:

– the largest customer
30.9%

– five largest customers in aggregate
53.7%

Save as disclosed herein, as far as the Company is aware, none of the Directors nor his connected persons and none of the shareholders possessing over 5% of the interest in the capital of the Company possessed any interest in the above-mentioned suppliers and customers. Goodbaby China Commercial Co., Ltd.* (好孩子 (中國) 商貿有限公司), one of the Group's major customers, is an indirect subsidiary of our controlling shareholders.

DONATION

During the year under review, the charitable contributions and other donations made in Hong Kong and China totalled HK$235,000.

DIRECTORS

The Directors in office during the year and as at the date of this report were as follows:

Executive Directors

SONG Zhenghuan
WANG Haiye
Martin POS (appointed by the Board on 18 March 2014)
Michael Nan QU (appointed by the Board on 18 March 2014)

Non-executive Directors

CHIANG Yun
HO Kwok Yin, Eric

Independent non-executive Directors

Iain Ferguson BRUCE
LONG Yongtu (resigned on 18 March 2014)
SHI Xiaoguang

Further details of the Directors and senior management are set forth in the section "Directors and Senior Mangement" of this annual report.

* *For identification purpose only*

In accordance with the articles of association of the Company, Mr. Martin POS, Mr. Michael Nan QU, Ms. CHIANG Yun and Mr. Iain Ferguson BRUCE will retire in the forthcoming annual general meeting, and being eligible, have offered themselves to be re-appointed, re-designated and re-elected respectively at the forthcoming annual general meeting. Ms. Chiang, an existing non-executive Director, is proposed to be re-designated as an independent non-executive Director, subject to the shareholders' approval at the forthcoming annual general meeting.

SERVICE CONTRACTS OF DIRECTORS

Each of the executive Directors has entered into a service contract/signed an appointment letter with the Company and is appointed for a specific term of three years unless terminated by not less than three months' notice in writing served by either the executive Director or the Company.

Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with the Company and is appointed for a specific term of three years.

There was no service contract entered into/ appointment letter signed by the Company and any Directors to be re-elected in the forthcoming annual general meeting which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Other than those transactions disclosed in note 35 to the Financial Statements and in the section "Connected transactions" below, there was no other significant contracts with any member of the Group as the contracting party and in which the Directors possessed direct or indirect substantial interests, and which was still valid on the year end date or any time during the year and related to the business of the Group.

DIRECTORS' INTERESTS IN COMPETITIVE BUSINESS

During the year, save as disclosed below, none of the Directors is considered to have interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

On 9 November 2010, each of CRF Enterprise Limited, Pacific United Developments Limited, CRF Investment Limited, Arc Capital Holdings Limited, Mr. Song Zhenghuan, Ms. Fu Jingqiu, Mr. Wang Haiye, Mr. Christopher Marcus Gradel, and Ms. Chiang Yun (collectively, the "Covenantors") entered into a deed of non-competition (the "Deed of Non-Competition") with the Company pursuant to which each of the Covenantors has separately undertaken to the Company that she/he/it shall not and will procure that her/his/its associates shall not, among other matters, directly or indirectly engage, participate, or hold any right or interest in, or otherwise be involved in any business which is or may be in competition with the businesses of the Company and its subsidiaries (in existence from time to time). Details of the Deed of Non-Competition were disclosed in the Company's prospectus for global offering dated 11 November 2010 (the "Prospectus") under the section headed "Relationship with Our Controlling Shareholders".

As at the date of this annual report, CRF Enterprises Limited, Pacific United Developments Limited, CRF Investments Limited and Arc Capital Holdings Limited held, together directly and indirectly, less than 30% of the issued share capital of the Company and therefore the undertakings of these four entities and Ms. Fu Jingqiu under the Deed of non-Competition ceased to have any effect.

Each of Mr. Song Zhenghuan, Ms. Chiang Yun and Mr. Wang Haiye has provided an annual declaration on his/her/its compliance with the undertakings contained in the Deed of Non Competition undertaken by them. The independent non-executive Directors have reviewed and were satisfied that each of the Covenantors has complied with the Deed of Non-Competition for the year ended 31 December 2013.

SHARE OPTION SCHEME

On 5 November 2010, the Company adopted a share option scheme ("Share Option Scheme") whereby the Board of Directors can grant options for the subscription of the Company's shares to any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries, any Directors (including non-executive and independent non-executive Directors) of the Company or any of its subsidiaries and advisers, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries as described in the Share Option Scheme as incentives or rewards for their contribution to the Group for the purpose of motivating the eligible participants to optimize their performance efficiency for the benefit of the Group; and attracting and retaining or otherwise maintaining on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.

During the year of 2013, no share options were granted. Up to 31 December 2013, 1,232,000 share options had lapsed and 5,409,000 share options had been exercised. As at 31 December 2013, 22,555,000 share options were outstanding. Details of the share options granted during the year ended 31 December 2013 were as follows:

Name of grantee	No. of share options outstanding at the beginning of the period	No. of share options granted during the period	No. of shares acquired on exercise of the share options during the period	No. of share options cancelled during the period	No. of share options lapsed during the period	No. of share options exercised during the period	No. of share options outstanding at the end of the period	Date of grant	Period during which share options are exercisable	Exercise price per share (HK$)	Closing price of the shares immediately before the date of grant (HK$)
Employees of the subsidiaries of the Company	29,196,000	–	–	–	1,232,000	5,409,000	22,555,000	3 January 2012	(i) 555,000 share options: 3 January 2013 to 2 January 2018 (ii) 7,260,000 share options: 3 January 2015 to 2 January 2018 (iii) 7,260,000 share options: 3 January 2016 to 2 January 2018 (iv) 7,480,000 share options: 3 January 2017 to 2 January 2018	2.12	2.12

Save as disclosed herein, no share options were granted under the Share Option Scheme or any share option scheme of the Group as at 31 December, 2013. The Company estimates the fair value of options granted using binomial tree model. The weighted average fair value of options granted during the year ended 31 December 2013, measured as at the date of grant, was approximately HK$nil.

Significant estimates and assumptions are required to be made in determining the parameters for applying binomial tree model, including estimates and assumptions regarding the risk-free rate of return, expected dividend yield and volatility of the underlying shares and the expected life of the options. These estimates and assumptions could have a material effect on the determination of the fair value of the share options and the amount of such equity awards expected to vest, which may in turn significantly impact the determination of the share based compensation expense. The following assumptions were used to derive the fair values:

Dividends yield (%)	2.00
Spot stock price (HK$ per share)	2.12
Historical volatility (%)	52.00
Risk-free interest rate (%)	1.11
Expected life of option (year)	6.00
Weighted average share price (HK$ per share)	2.12

As at 31 December 2013, the total number of shares available for issue under the Share Option Scheme was 110,089,970 shares, which represented 10% of the shares in issue as at the date of this annual report.

The options issued pursuant to the Share Option Scheme will expire no later than 10 years from the date of grant of the option.

For any options granted to Directors, chief executives or substantial shareholders of the Company, or any of their respective associate, options to be granted to any of these persons shall be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of options). Where any option granted to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the shares issued or to be issued upon exercise of all options already granted and to be granted to such person in the 12 month period, (i) representing in aggregate over 0.1% of the shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the shares, in excess of HK$5 million, such grant of options shall be subject to prior approval by resolutions of the shareholders (voting by way of poll).

The number of shares issued and to be issued in respect of options granted and may be granted to any individual in any 12-month period is not permitted to exceed 1% of the total shares of the Company in issue, without prior approval from the shareholders of the Company and with such participants and his associates abstaining from voting.

The amount payable on acceptance of an option is HK$1.00, which will be payable on or before a prescribed acceptance date. In relation to any options granted under the Share Option Scheme, the exercise price is determined by the Directors, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

The Share Option Scheme does not contain any minimum period for which an option must be held before it can be exercised. However, at the time of granting of the options, the Board may specify any such minimum period.

Unless otherwise terminated by the Board or the shareholders in general meeting in accordance with the terms of the Share Option Scheme, the

Scheme shall be valid and effective for a period of 10 years from the date of its adoption which was 5 November 2010, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted prior to the expiry of the 10-year period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding companies or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate.

INTEREST AND SHORT POSITIONS OF DIRECTORS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES

As at 31 December 2013, the interest or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, are as follows:

Directors' Interest in the Shares

Name of Director	Nature of Interest	Number of Shares	Approximate percentage of Shareholding
Mr. Song Zhenghuan (Note 2)	Beneficiary of a trust	259,000,000 (L)	25.76%

Notes:

(1) The letter "L" denotes the person's long position in such shares.

(2) Mr. Song is a discretionary beneficiary of a trust of which Credit Suisse Trust Limited is the trustee. See note 2 of the section headed "Substantial Shareholders' Interests and Short Positions" for further details of this interest.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 31 December 2013, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company:

Name	Capacity	Number of Shares	Approximate Percentage of Shareholding
Pacific United Developments Limited	Beneficial owner	259,000,000 (L)	25.76%
Cayey Enterprises Limited (Note 2)	Interest of controlled corporation	259,000,000 (L)	25.76%
Credit Suisse Trust Limited (Note 2)	Trustee	259,000,000 (L)	25.76%
Grappa Holdings Limited (Note 2)	Interest of controlled corporation	259,000,000 (L)	25.76%
Ms. Fu Jingqiu ("Ms. Fu") (Note 2)	Settlor/beneficiary of a trust	259,000,000 (L)	25.76%
Government of Singapore Investment Corporation Pte. Ltd.	Investment Manager	70,841,000 (L)	7.04%
The Capital Group Companies, Inc. (Note 3)	Interest of controlled corporation	70,550,000 (L)	7.01%

Notes:

(1) The letter "L" denotes the person's long position in such shares.

(2) Pacific United Developments Limited is owned as to approximately 45.39% by Cayey Enterprises Limited, which in turn is, as at 31 December 2012, wholly owned by Grappa Holdings Limited the issued share capital of which is owned as to 50% by Seletar Limited and as to 50% by Serangoon Limited, as nominees for Credit Suisse Trust Limited, which is the trustee holding such interest on trust for the beneficiaries of the Grappa Trust. The beneficiaries of the Grappa Trust include Mr. Song, Ms. Fu and family members of Mr. Song and Ms. Fu. The Grappa Trust is a revocable discretionary trust established under the laws of Singapore.

(3) The Capital Group Companies, Inc holds a 100% shareholding interest in Capital Group International, Inc. ("CGII") whereas CGII holds a 100% shareholding interest in each of Capital Guardian Trust Company, Capital International, Inc., Capital International Limited and Capital International Sarl and consequently, each of them is deemed to be interested in 70,550,000 shares.

SUBSIDIARIES

The Group's operations are substantially conducted in the PRC through its direct or indirect subsidiaries. Details of the subsidiaries of the Company as at 31 December 2013 are set out in note 28 to the Financial Statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

CONNECTED TRANSACTIONS

The Group's related parties transactions marked with "#" for the year ended 31 December 2013 set out in note 35 to the Financial Statements constitute continuing connected transactions as defined in chapter 14A of the Listing Rules and the Company has complied with the disclosure requirements in chapter 14A of the Listing Rules.

Continuing connected transactions which are exempted from the independent shareholders' approval requirement, but subject to the reporting, annual review and announcement requirements of the Listing Rules

Pingxiang Lease Agreements

(A) First Pingxiang Lease Agreement

On 28 December 2012, Goodbaby Group Pingxiang Co., Ltd.* (好孩子集團平鄉有限公司) ("GGPX") and Goodbaby Child Products Pingxiang Co., Ltd.* (好孩子兒童用品平鄉有限公司) ("GCPX") entered into a lease agreement (the "First Pingxiang Lease Agreement"), pursuant to which GGPX agreed to lease certain premises (the "Properties") to GCPX for a three-year period commencing from 1 January 2013 and ending on 31 December 2015. The Properties are intended to be used mainly for production purpose. The aggregate annual rental of the Properties payable by GCPX to GGPX is determined with reference to the market rental rate. Rental payment for each month is payable in advance on a monthly basis before the tenth day of each month.

GCPX has an option to renew the First Pingxiang Lease Agreement at any time within the three month period before the expiry date of the First Pingxiang Lease Agreement for a further period of three years, on the condition that all applicable disclosure and/or shareholders' approval requirement under the Listing Rules shall have been complied with by the Company.

There were no historical transactions between GCPX and GGPX in relation to the Properties during the three years ended 31 December 2012. The annual caps under the First Pingxiang Lease Agreement for each of the three years ending 31 December 2015 is RMB2,136,000 (or approximately HK$2,629,894), RMB2,350,000 (or approximately HK$2,893,376) and RMB2,585,000 (or approximately HK$3,182,714), respectively.

* *For identification purpose only*

(B) Second Pingxiang Lease Agreement

On 23 August 2013, GCPX and GGPX entered into a lease agreement (the "Second Pingxiang Lease Agreement"), pursuant to which GGPX agreed to lease the Properties I to GCPX commencing from 1 September 2013 and ending on 31 December 2015. The Properties I are intended to be used mainly for production and employees related purposes such as a canteen and hostel. The aggregate annual rental of the Properties I payable by GCPX to GGPX is determined with reference to the market rental rate. Rental payment for each month is payable in advance on a monthly basis before the tenth day of each month.

GCPX has an option to renew the Second Pingxiang Lease Agreement at any time within the three months period before the expiry date of the Second Pingxiang Lease Agreement for a further period of three years, on the condition that all applicable disclosure and/or shareholders' approval requirement under the Listing Rules shall have been complied with by the Company.

The annual caps under the Second Pingxiang Lease Agreement for each of the three years ending 31 December 2015 is RMB1,400,000 (or approximately HK$1,759,678), RMB4,500,000 (or approximately HK$5,656,109) and RMB5,000,000 (or approximately HK$6,284,565), respectively.

(C) Third Pingxiang Lease Agreement

On 23 August 2013, Goodbaby Child Products Co., Ltd. * (好孩子兒童用品有限公司) ("GCPC") and GGPX entered into the Third Pingxiang Lease Agreement, pursuant to which GGPX agreed to lease the Property II to GCPC during a period commencing from 1 September 2013 and ending on 31 December 2015. The Property II is intended to be used mainly for warehouse purposes. The aggregate annual rental of the Property II payable by GCPC to GGPX is determined with reference to the market rental rate. Rental payment for each month is payable in advance on a monthly basis before the tenth day of each month.

GCPC has an option to renew the Third Pingxiang Lease Agreement at any time within the three months period before the expiry date of the Third Pingxiang Lease Agreement for a further period of three years, on the condition that all applicable disclosure and/or shareholders' approval requirement under the Listing Rules shall have been complied with by the Company.

The annual caps under the Third Pingxiang Lease Agreement for each of the three years ending 31 December 2015 is RMB330,000 (or approximately HK$414,781), RMB1,100,000 (or approximately HK$1,382,604) and RMB1,200,000 (or approximately HK$1,508,296), respectively.

GGPX is a wholly-owned subsidiary of Goodbaby Group Co., Ltd. *(好孩子集團有限公司) ("GGCL"), which is a company controlled by Mr. Song Zhenghuan, the Company's chairman, chief executive officer and executive Director, and his spouse, Ms. Fu Jingqiu. Accordingly, GGPX is an associate of Mr. Song under the Listing Rules and thus it is regarded as a connected person of the Company under the Listing Rules.

Pursuant to Rule 14A.25 of the Listing Rules, the transactions contemplated under the Second Pingxiang Lease Agreement and the Third Pingxiang Lease Agreement shall be aggregated together with the transactions contemplated under the First Pingxiang Lease Agreement as they were entered into by members of the Group with the same connected person involving leases of properties in Pingxiang County, Hebei Province, PRC.

Properties: *the premises situated on the south side of the eastern section of Zhonghua Road, Pingxiang County, Hebei Province, PRC (河北省平鄉縣城中華路東段南側) of a total of 22,248 square metres with building ownership certificates of Ping Fang Quan Zheng Qi Qu 03 Zi No. 566 (平房權證乞區03字第566號) and Ping Fang Quan Zheng Qi Qu 03 Zi No. 567 (平房權證乞區03字第567號);*

Properties I: *the premises situated on the south side of the eastern section of Zhonghua Road, Pingxiang County, Hebei Province, PRC (河北省平鄉縣城中華路東段南側) of a total of approximately 41,752.72 square metres, of which (i) the lease of a total of 39,152.72 square metres with building ownership certificates of Ping Fang Quan Zheng Qi Qu 03 Zi No. 563 (平房權證乞區03字第563號), Ping Fang Quan Zheng Qi Qu 03 Zi No. 564 (平房權證乞區03字第564號), Ping Fang Quan Zheng Qi Qu 03 Zi No. 565 (平房權證乞區03字第565號), Ping Fang Quan Zheng Qi Qu 03 Zi No. 568 (平房權證乞區03字第568號) and Ping Fang Quan Zheng Qi Qu 03 Zi No. 570 (平房權證乞區03字第570號) commenced from 1 September 2013, and (ii) the lease of a total of approximately 2,600 square metres commenced after GGPX obtains the respective building ownership certificates and upon the completion of housing delivery by GGPX to GCPX;*

Properties II: *the premises situated on the south side of the eastern section of Zhonghua Road, Pingxiang County, Hebei Province, PRC (河北省平鄉縣城中華路東段南側) of a total of 10,044 square metres with building ownership certificate of Ping Fang Quan Zheng Qi Qu 03 Zi No. 569 (平房權證乞區03字第569號).*

(D) Supply of Products by Goodbaby China Commercial Co., Ltd.* (好孩子(中國)商貿有限公司)("GCCL") to Goodbaby Child Products Co.,Ltd.* (好孩子兒童用品有限公司)("GCPC")

On 28 December 2012, GCPC and GCCL entered into a supply agreement (the "Supply Agreement"), pursuant to which GCCL agreed to supply infants' and children's products such as nursing products, paper products or toys (the "GCCL Products") to GCPC to be used as free gifts for sales of GCPC's products, for a period of three years commencing on 1 January 2013 to 31 December 2015. This is part of the Group's sales strategy to increase the sales volume of GCPC's own products. The amount payable by GCPC to GCCL under the Supply Agreement is determined based on the prevailing market rate of the GCCL Products. Upon receipt of the monthly invoice from GCCL, GCPC will pay such transaction amount to GCCL within seven Business Days.

GCPC has an option to renew the Supply Agreement at any time within the three month period before the expiry date of the Supply Agreement for a further period of three years, on the condition that all applicable disclosure and/or shareholders' approval requirement under the Listing Rules shall have been complied with by the Company.

There were no historical transactions between GCPC and GCCL in relation to the purchase of GCCL Products during the three years ended 31 December 2012. The annual caps under the Supply Agreement for each of the three years ending 31 December 2015 is RMB5,000,000 (or approximately HK$6,156,119), RMB6,000,000 (or approximately HK$7,387,343) and RMB7,000,000 (or approximately HK$8,618,567), respectively.

GCCL is an indirect wholly owned subsidiary of G-Baby Holdings Limited, which in turn is held as to approximately 63.9% by companies ultimately controlled by Mr. Song and his spouse, including PUD, a substantial shareholder of the Company. Accordingly, GCCL is an associate of Mr. Song under the Listing Rules and thus it is regarded as a connected person of the Company under the Listing Rules.

Continuing connected transaction subject to the reporting, annual review, announcement and independent shareholders' approval requirements of the Listing Rules

Sale of our products by GCPC to GCCL

On 8 November, 2010, GCPC entered into an agreement (as amended by a supplemental agreement dated 16 November 2011, together, the "GCCL Supply Agreement") with GCCL for a period commencing from 24 November 2010 and ended on 31 December 2012, pursuant to which GCPC agreed to supply strollers, children's car safety seats, cribs, children's bicycles and other durable juvenile products (the "Products") to GCCL for domestic sales. Such agreement was renewed (the "Renewed GCCL Supply Agreement") on 29 October 2012 for a further period of three years commencing on 1 January 2013 to 31 December 2015. This allows the Group to continue the use of GCCL's retail channels for the Products. The availability of such sales channels enables the Group to extend the reach of the Products as GCCL has a wide retail network in the PRC. The annual caps under the Renewed GCCL Supply Agreement is determined based on the expected increase in demand for the Products by GCCL driven by the projected expansion of GCCL's distribution network and coverage in the PRC for the three years ending 31 December 2015 and the expected rapid development of its internet shopping sales channel which was launched in 2011.

During the year under review, the Products sold to GCCL by GCPC under the GCCL Supply Agreement was amounted to RMB465,960,000 in total and the annual cap amount approved by the Directors and shareholders of the Company was RMB630,762,000. Details of such transaction were disclosed in the Company's Prospectus under the section headed "Connected Transactions" and the circulars of the Company dated 22 November 2011 and 19 November 2012, respectively.

GCCL is an indirect wholly owned subsidiary of G-Baby Holdings Limited, which in turn is held as to approximately 63.9% by companies ultimately controlled by Mr. Song, and his spouse, including PUD, a substantial shareholder of the Company. Accordingly, GCCL is an associate of Mr. Song under the Listing Rules and thus is regarded as a connected person of the Company under the Listing Rules.

Pursuant to Rule 14A.38 of the Listing Rules, the Board has engaged the auditors of the Company to perform certain agreed-upon procedures on the aforesaid continuing connected transactions. Based on the work performed, the auditors of the Company have provided a letter to the Board confirming that the aforesaid continuing connected transactions:

(i) have been approved by the Directors;

(ii) were entered into in accordance with the pricing policies of the Company;

(iii) were entered into in accordance with the terms of the relevant agreements governing such transactions; and

(iv) did not exceed the annual cap amounts.

A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Pursuant to Rule 14A. 37 of the Listing Rules, the independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(i) in the ordinary and usual course of the business of the Group;

(ii) either (a) on normal commercial terms or; (b) where there is no available comparable terms, on terms no less favorable to the Group than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2013, the Group had a total of 11,567 full-time employees (as at 31 December 2012, the Group had a total of 13,207 full-time employees). For the year ended 31 December 2013, costs of employees, excluding Directors' emoluments, amounted to a total of HK$834.7 million (for the year ended 31 December 2012, costs of employees, excluding Directors' emoluments, amounted to a total of HK$847.2 million). The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees including the Directors with reference to individual performance and current market salary scale. The Group provides a defined contribution mandatory provident fund for retirement benefits of its employees in Hong Kong, and provides its employees in the PRC and other countries with welfare schemes as required by the applicable local laws and regulations.

The Company has also adopted a share option scheme on 5 November 2010. Details of the share option scheme are set out in the paragraph headed "Share Option Scheme" in this section.

CONFIRMATION OF INDEPENDENT STATUS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors independent.

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 of Hong Kong Limited 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 2011 and 2012 annual reports and 2013 interim report. As at 31 December 2013, the Company has used approximately HK$827.5 million from 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 2013:

Use	Approximate percentage of net proceeds %	Approximate amount of net proceeds (in HK$ million)	Approximate amount utilized (in HK$ million)	Approximate amount remaining (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	261.7	6.6
Research and development and commercialization of products, including new children's car safety seat products and other new products	20%	178.8	118.6	60.2
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	10%	89.5	89.5	—
Total	100%	894.3	827.5	66.8

The balance of the unutilized proceeds of approximately HK$66.8 million, deposited in normal interest bearing saving accounts which are short-term demand deposits, will be applied by the Company as stated in the section headed "Future Plans and Use of Proceeds" of the Company's Prospectus.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the corporate governance report contained in this annual report.

EXCHANGE RISKS

Details of the exchange risks are set out in note 37 to the Financial Statements.

PURCHASE, SALE OR 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 for the year ended 31 December 2013.

DISCLOSURE UNDER RULE 13.20 OF THE LISTING RULES

The Directors are not aware of any circumstances resulting in the responsibility of disclosure under Rule 13.20 of the Listing Rules regarding the provision of advances by the Company to an entity.

EVENT AFTER THE REPORTING PERIOD

On 27 January 2014, Goodbaby (Hong Kong) Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with (1) Mr. Martin Pos, (2) Mr. Matthias Steinacker, (3) Mr. Stefan Hüber, (4) Mr. Mankil Cho, (5) Dritte AFM Beteiligungs GmbH, and (6) Vierte AFM Beteiligungs GmbH (collectively, the "Sellers"), pursuant to which the Purchaser has agreed to acquire the entire issued share capital of Columbus Holding GmbH, a company established in Germany, from the Sellers at a consideration of EUR70,711,539 (equivalent to approximately HK$751,069,681), to be settled in cash as to the amount of EUR38,513,000 (equivalent to approximately HK$409,069,681) and by the issue of 100,000,000 new shares of the Company to the Sellers as to the amount of EUR32,198,539 (equivalent to approximately HK$342,000,000). On 28 January 2014, the aforementioned sale and purchase transaction was completed. Please refer to the Company's announcement dated 28 January 2014 for more details.

Details of the event after the reporting period of the Group are set out in note 38 to the Financial Statements.

FINANCIAL SUMMARY

The summary of the results, assets and liabilities of the Group in the past five financial years is set out on pages 158 to 159 of this report.

PRE-EMPTIVE RIGHTS

There is no provision regarding pre-emptive rights in the articles of association of the Company or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENT PUBLIC FLOAT

The Company has maintained the public float as required by the Listing Rules for the year ended 31 December 2013.

AUDITORS

The financial statements of the Company for the year ended 31 December 2013 have been audited by Ernst & Young which will retire, and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

A resolution for the re-appointment of Ernst & Young as auditors of the Company is to be proposed at the forthcoming annual general meeting.

For and on behalf of the Board of Directors
Song Zhenghuan
Chairman

18 March 2014

INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated financial statements of Goodbaby International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 64 to 157, which comprise the consolidated and company statements of financial position as at 31 December 2013, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTOR'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

18 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Notes	2013 (HK$'000)	2012 (HK$'000) Restated
Revenue	5	**4,188,794**	4,554,462
Cost of sales		**(3,228,205)**	(3,682,571)
Gross profit		**960,589**	871,891
Other income and gains	5	**48,593**	54,030
Selling and distribution expenses		**(446,969)**	(359,350)
Administrative expenses		**(359,971)**	(343,270)
Other expenses		**(11,056)**	(3,381)
Finance costs	7	**(6,826)**	(11,897)
Finance income	6	**10,590**	7,910
Share of losses of a joint venture		**(22)**	(30)
PROFIT BEFORE TAX	8	**194,928**	215,903
Income tax expense	11	**(23,799)**	(32,780)
PROFIT FOR THE YEAR		**171,129**	183,123
Attributable to:			
Owners of the parent		**171,213**	181,207
Non-controlling interests		**(84)**	1,916
		171,129	183,123
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:	14		
Basic			
– For profit for the year (HK$)		**0.17**	0.18
Diluted			
– For profit for the year (HK$)		**0.17**	0.18

Details of the dividends payable and proposed for the year are disclosed in note 13 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	2013 (HK$'000)	2012 (HK$'000)
PROFIT FOR THE YEAR	**171,129**	183,123
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**38,334**	1,806
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**38,334**	1,806
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**38,334**	1,806
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**209,463**	184,929
Attributable to:		
Owners of the parent	**208,618**	183,009
Non-controlling interests	**845**	1,920
	209,463	184,929

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	**31 December 2013 (HK$'000)**	31 December 2012 (HK$'000) Restated	1 January 2012 (HK$'000) Restated
NON-CURRENT ASSETS				
Property, plant and equipment	15	**707,909**	675,954	640,087
Prepaid land lease payments	16	**67,916**	68,022	70,595
Intangible assets	17	**34,970**	35,352	38,082
Investment in a joint venture	29	**961**	983	1,013
Deferred tax assets	27	**14,820**	14,633	15,153
Total non-current assets		**826,576**	794,944	764,930
CURRENT ASSETS				
Inventories	18	**797,983**	624,856	676,767
Trade and notes receivables	19	**738,025**	758,728	642,427
Prepayments and other receivables	20	**129,238**	123,319	165,645
Due from a related party	35	**235,717**	133,487	119,529
Available-for-sale investments	21	**127,830**	123,335	—
Cash and cash equivalents	22	**608,299**	633,010	787,959
Derivative financial instruments		**—**	—	13,947
Total current assets		**2,637,092**	2,396,735	2,406,274
CURRENT LIABILITIES				
Trade and notes payables	23	**714,365**	791,268	857,302
Other payables, advances from customers and accruals	24	**241,700**	289,798	236,696
Interest-bearing bank borrowings	26	**447,239**	220,783	326,498
Income tax payable		**5,164**	7,400	9,649
Provision	25	**8,541**	11,722	12,938
Dividends payable		**8**	1	1
Total current liabilities		**1,417,017**	1,320,972	1,443,084
NET CURRENT ASSETS		**1,220,075**	1,075,763	963,190
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,046,651**	1,870,707	1,728,120

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	**31 December 2013 (HK$'000)**	31 December 2012 (HK$'000) Restated	1 January 2012 (HK$'000) Restated
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,046,651**	1,870,707	1,728,120
NON-CURRENT LIABILITIES				
Deferred tax liabilities	27	**19,159**	18,578	20,672
Total non-current liabilities		**19,159**	18,578	20,672
Net assets		**2,027,492**	1,852,129	1,707,448
EQUITY				
Equity attributable to owners of the parent				
Issued capital	30	**10,054**	10,000	10,000
Reserves	32(a)	**1,931,782**	1,762,363	1,619,602
Proposed final dividend	13	**55,045**	50,000	50,000
		1,996,881	1,822,363	1,679,602
Non-controlling interests		**30,611**	29,766	27,846
Total equity		**2,027,492**	1,852,129	1,707,448

SONG Zhenghuan
Director

WANG Haiye
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

	Attributable to owners of the parent										
	Share capital (HK$'000) (note 30)	Share premium (HK$'000)	Share option reserve (HK$'000)	Statutory reserve funds (HK$'000) (note 32(a))	Cumulative translation adjustments (HK$'000)	Merger reserve (HK$'000) (note 32(a))	Retained earnings (HK$'000)	Proposed final dividend (HK$'000) (note 13)	Total (HK$'000)	Non-controlling interests (HK$'000)	Total equity (HK$'000)
As at 1 January 2012	10,000	916,913	—	107,402	177,437	153,975	263,875	50,000	1,679,602	27,846	1,707,448
Profit for the year	—	—	—	—	—	—	181,207	—	181,207	1,916	183,123
Exchange differences on translation	—	—	—	—	1,802	—	—	—	1,802	4	1,806
Total comprehensive income for the year	—	—	—	—	1,802	—	181,207	—	183,009	1,920	184,929
Proposed final 2012 dividend (note 13)	—	(26,869)	—	—	—	—	(23,131)	50,000	—	—	—
Profit appropriation	—	—	—	14,294	—	—	(14,294)	—	—	—	—
2011 dividend declared	—	—	—	—	—	—	—	(50,000)	(50,000)	—	(50,000)
Equity-settled share option arrangements	—	—	9,752	—	—	—	—	—	9,752	—	9,752
As at 31 December 2012 and 1 January 2013	**10,000**	**890,044***	**9,752***	**121,696***	**179,239***	**153,975***	**407,657***	**50,000**	**1,822,363**	**29,766**	**1,852,129**
Profit for the year	—	—	—	—	—	—	**171,213**	—	**171,213**	**(84)**	**171,129**
Exchange differences on translation	—	—	—	—	**37,405**	—	—	—	**37,405**	**929**	**38,334**
Total comprehensive income for the year	—	—	—	—	**37,405**	—	**171,213**	—	**208,618**	**845**	**209,463**
Proposed final 2013 dividend (note 13)	—	**(47,625)**	—	—	—	—	**(7,420)**	**55,045**	—	—	—
Difference between proposed and declared 2012 dividend	—	**(238)**	—	—	—	—	—	**238**	—	—	—
Issue of shares	**54**	**15,416**	**(4,003)**	—	—	—	—	—	**11,467**	—	**11,467**
Profit appropriation	—	—	—	**9,515**	—	—	**(9,515)**	—	—	—	—
2012 dividend declared (note 13)	—	—	—	—	—	—	—	**(50,238)**	**(50,238)**	—	**(50,238)**
Equity-settled share option arrangements	—	—	**5,055**	—	—	—	—	—	**5,055**	—	**5,055**
Transfer of share option reserve upon the forfeiture or expiry of share options	—	—	**(384)**	—	—	—	—	—	**(384)**	—	**(384)**
As at 31 December 2013	**10,054**	**857,597***	**10,420***	**131,211***	**216,644***	**153,975***	**561,935***	**55,045**	**1,996,881**	**30,611**	**2,027,492**

* These reserve accounts comprise the consolidated reserves of HK$1,931,782,000 (2012: HK$1,762,363,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Note	2013 (HK$'000)	2012 (HK$'000) Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**194,928**	215,903
Adjustments for:			
Depreciation and amortisation		**110,912**	99,946
Loss on disposal of items of property, plant and equipment		**276**	138
Share of losses of a joint venture		**22**	30
Write-down of inventories		**3,287**	41
Provision for impairment of receivables		**9**	1
Interest expense		**6,826**	11,897
Interest income		**(10,590)**	(7,911)
(Increase)/decrease in inventories		**(176,974)**	51,870
Decrease/(increase) in trade and notes receivables		**50,805**	(104,892)
(Increase)/decrease in prepayments and other receivables		**(4,000)**	42,326
Decrease in derivative financial instruments		**—**	13,947
Increase in amounts due from related parties		**(102,230)**	(13,958)
Decrease in trade and notes payables		**(76,903)**	(66,034)
(Decrease)/increase in other payables, advances from customers and accruals		**(48,098)**	54,710
Decrease in provision		**(3,491)**	(1,216)
Income tax paid		**(26,222)**	(36,603)
Net cash flows (used in)/generated from operating activities		**(81,443)**	260,195
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of items of property, plant and equipment		**3,762**	504
Interest received		**8,671**	7,911
Purchase of items of property, plant and equipment		**(118,479)**	(130,055)
Purchase of intangible assets		**(3,456)**	(3,056)
Purchase of available-for-sale financial investments		**(4,495)**	(123,335)
Net cash flows used in investing activities		**(113,997)**	(248,031)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Note	**2013 (HK$'000)**	2012 (HK$'000) Restated
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance		**11,467**	—
Proceeds from borrowings		**1,627,600**	544,371
Repayment of borrowings		**(1,411,274)**	(649,984)
Interest paid		**(6,826)**	(11,897)
Dividends paid		**(50,238)**	(50,000)
Net cash flows generated from/(used in) financing activities		**170,729**	(167,510)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(24,711)**	(155,346)
Cash and cash equivalents at beginning of year		**633,010**	788,356
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	**608,299**	633,010

STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 (HK$'000)	2012 (HK$'000)
NON-CURRENT ASSETS			
Investments in subsidiaries	28	**8,805**	8,805
Investment in a joint venture	29	**1,562**	1,562
Total non-current assets		**10,367**	10,367
CURRENT ASSETS			
Other receivables	20	**62**	63
Due from subsidiaries	28	**1,227,751**	964,511
Cash and cash equivalents	22	**12,223**	819
Total current assets		**1,240,036**	965,393
CURRENT LIABILITIES			
Other payables	24	**15,711**	15,690
Dividend payables		**8**	—
Due to a subsidiary	28	**301,568**	274
Total current liabilities		**317,287**	15,964
NET CURRENT ASSETS		**922,749**	949,429
TOTAL ASSETS LESS CURRENT LIABILITIES		**933,116**	959,796
Net assets		**933,116**	959,796
EQUITY			
Equity attributable to owners of the parent			
Issued capital	30	**10,054**	10,000
Reserves	32(b)	**868,017**	899,796
Proposed final dividend	13	**55,045**	50,000
Total equity		**933,116**	959,796

SONG Zhenghuan
Director

WANG Haiye
Director

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") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, 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.

Pursuant to a reorganisation (the "Reorganisation") to rationalise the group structure in preparation for the listing of the Company's shares on the Stock Exchange, the Group acquired a 100% equity interest in Paragon Child Products Co., Ltd. ("PCPC") from a fellow subsidiary, Geoby Paragon Holdings Limited ("GPHL") in June 2010. As the Group, PCPC and GPHL were under the common control of G-Baby Holdings Limited ("GBHL") before and after the acquisition and the control was not transitory, the acquisition of PCPC was accounted for using the pooling of interest method as if PCPC were the Group's subsidiary since 1 January 2009. Accordingly, the assets, liabilities and results of operations of PCPC were included in the preparation of the consolidated financial statements of the Group since 1 January 2009. Details of the Reorganisation are set out in the Prospectus of the Company dated 24 November 2010.

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 2013. 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.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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 new and revised IFRSs for the first time for the current year's financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
IAS 19	*Employee Benefits*
IAS 27	*Separate Financial Statements*
IAS 28	*Investments in Associates and Joint Ventures*
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
IFRIC-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of IFRSs issued in June 2012

Other than as further explained below regarding the impact of IFRS 11 and the amendments to IAS 1, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(Continued)

The principal effects of adopting these new and revised IFRSs are as follows:

(a) IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in SIC-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in IFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

The application of IFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

(b) IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The classification of joint arrangements under IFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement and is required to be accounted for using the equity method in accordance with IAS 28.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(Continued)

The principal effects of adopting these new and revised IFRSs are as follows: (Continued)

(b) (Continued)

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of IFRS 11, and concluded that the Group's investment in Kunshan Goodbaby Tommee Tippee Child Products Co., Ltd. ("GCTP"), which was previously classified as a jointly controlled entity under IAS 31 and was accounted for using the proportionate consolidation method, should be classified as a joint venture under IFRS 11 and be accounted for using the equity method. The change in accounting for an investment in a joint venture has been applied retrospectively. The opening balance as at 1 January 2012 and comparative information for the year ended 31 December 2012 have been restated in the consolidated financial statements. The quantitative impact on the financial statements is summarised below:

Impact on the consolidated statement of profit or loss:

	Year ended 31 December 2012 (HK$'000)
Decrease in administrative expenses	31
Decrease in finance income	(1)
Increase in share of losses of a joint venture	(30)
Decrease in profit before tax	—
Net impact on profit for the year and earnings per share	—
Net impact on other comprehensive income	—

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(Continued)

The principal effects of adopting these new and revised IFRSs are as follows: (Continued)

(b) (Continued)

Impact on the consolidated statement of financial position:

	As at 31 December 2012 (HK$'000)	As at 1 January 2012 (HK$'000)
Increase in an investment in a joint venture	983	1,013*
Increase in total non-current assets	983	1,013
Decrease in other receivables	(651)	(651)
Decrease in cash and cash equivalents	(361)	(397)
Decrease in total current assets	(1,012)	(1,048)
Decrease in other payables and accruals	29	35
Decrease in total current liabilities	29	35
Decrease in net current assets	(983)	(1,013)
Impact on net assets and equity	—	—

* The Group recognised the initial investment in this joint venture as at 1 January 2012 at the aggregate of the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated.

Impact on the consolidated statement of cash flows:

	Year ended 31 December 2012 (HK$'000)
Increase in net cash flows from operating activities	36
Net increase in cash and cash equivalents	36

There is no material impact on the basic and diluted earnings per share ("EPS").

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(Continued)

(c) IFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in IAS 27 *Consolidated and Separate Financial Statements*, IAS 31 *Interests in Joint Ventures* and IAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries and a joint venture are included in note 28 and 29 to the financial statements.

(d) IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. IFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in IFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by IFRS 13 for the fair value measurements of investment properties and financial instruments are included in note 37 to the financial statements.

(e) IAS 19 includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. As the Group does not have any defined benefit plan or employee termination plan and the Group does not have any significant employee benefits that are expected to be settled for more than twelve months after the reporting period, the adoption of the revised standard has had no effect on the financial position or performance of the Group.

(f) The IFRS 10, IFRS 11 and IFRS 12 Amendments clarify the transition guidance in IFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between IFRS 10 and IAS 27 or SIC-Int 12 at the beginning of the annual period in which IFRS 10 is applied for the first time.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(Continued)

(g) The IAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

(h) The IAS 36 Amendments remove the unintended disclosure requirement made by IFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group. Disclosures about the Group's impaired non-financial assets are included in note 17 to the financial statements.

(i) *Annual Improvements 2009-2011* Cycle issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- IAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(Continued)

(i) (Continued)

- IAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 9	Financial Instruments[3]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39*[3]
IFRS 10, IFRS 12 and IAS 27 (2011) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – *Investment Entities*[1]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRIC-Int 21	*Levies*[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 No mandatory effective date yet determined but is available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

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

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments*: *Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In November 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the IASB added to IFRS 9 the requirements related to hedge accounting and made some related changes to IAS 39 and IFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to IFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to IFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other IFRS 9 requirements at the same time.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of IFRS 9 was removed by the IASB in December 2013 and a mandatory effective date will be determined after the entire replacement of IAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

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 in accordance with IFRS 9 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 Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

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 are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in a joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investment in a joint venture is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of a joint venture is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's investment in the joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of joint venture is included as part of the Group's investment in a joint venture.

The results of a joint venture are included in the Company's income statement of profit or loss to the extent of dividends received and receivable. The Company's investment in a joint venture is treated as non-current assets and is stated at cost less any impairment losses.

When an investment in a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for controls the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All of the components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit of loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets of liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of items of property, plant and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained earnings as a movement in reserves.

Depreciation is calculated on the straight-line basis over the estimated useful life of each item of property, plant and equipment, after taking into account the residual value as follows:

	Estimated useful lives	Estimated residual value
Buildings	20 years	10%
Plant and machinery	10 years	10%
Motor vehicles	5 years	10%
Furniture and fixtures	5 years	—
Leasehold improvements	lesser of lease term or useful life	—

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Trademarks and computer software

Expenditure on acquired trademarks and computer software is capitalised and amortised using the straight-line method over their estimated useful lives of five to thirty years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or lass, loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognized in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Available-for-sale financial investments (Continued)

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the assets have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and notes payables, other payables, derivative financial instruments, amounts due to related parties and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis, and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cost of inventories includes the transfer from equity of gains and losses on qualifying cash flow hedges in respect of the purchases of raw materials.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when there is a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and a joint venture when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for “Financial liabilities” above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership and title have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below;

(c) rental income, on a time proportion basis over the lease terms;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(e) dividend income, when the shareholders' right to receive payment has been established.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 31 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other employee benefits

Retirement benefits

Pursuant to the relevant regulations, the Group's subsidiaries which operate in Mainland China participate in a local municipal government retirement benefit scheme (the "Scheme"), whereby the Group is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to the statement of comprehensive income as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

Borrowings costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use of sale are capitalised as part of the cost of the respective assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 5% and 13% has been applied to the expenditure on the individual assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

These financial statements are presented in HK$, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement of translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on retranslation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and a joint venture are currencies other than the HK$. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into HK$ at the weighted average exchange rates for the year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

The resulting exchange differences are recognised in other comprehensive income and accumulated in the cumulative translation adjustments. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries and a joint venture are translated into HK$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries and a joint venture which arise throughout the year are translated into HK$ at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

3. SIGNIFICANT ACCOUNTING, ESTIMATES AND ASSUMPTIONS (Continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2013 was approximately HK$16,464,000 (2012: HK$15,907,000). Further details are given in note 17.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Details of unrecognised tax losses as at the end of the reporting period are contained in note 27.

3. SIGNIFICANT ACCOUNTING, ESTIMATES AND ASSUMPTIONS (Continued)

Estimation uncertainty (Continued)

Provision for impairment of trade and notes receivables

The provision policy for impairment of trade and notes receivables is based on the ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of those receivables, including the credit trade and worthiness and the past collection history of each customer. If the financial conditions of the customers of the Group and the Company were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required. Further details are contained in note 19.

Write-down of inventories

The Group's inventories are stated at the lower of cost and net realisable value. The Group writes down its inventories based on estimates of the realisable value with reference to the age and conditions of the inventories, together with the economic circumstances on the marketability of such inventories. Inventories will be reviewed annually for write-down, if appropriate.

Provisions

Provisions for product warranties granted by the Group on its products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

4. OPERATING SEGMENT INFORMATION

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

(a) Overseas – Strollers and accessories segment, which engages in the research, design, manufacture and sale of strollers and accessories under the Group's own brands and third parties' brands;

(b) Overseas – Other durable juvenile products segment, which engages in the research, design, manufacture and sale of car seats and accessories, cribs and accessories and other children's products under the Group's own brands and third parties' brands;

(c) Domestic – Strollers and accessories segment, which engages in the sourcing and distribution of strollers; and

(d) Domestic – Other durable juvenile products segment, which engages in the sourcing and distribution of durable juvenile products including car seats and accessories, 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.

4. OPERATING SEGMENT INFORMATION (Continued)

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 2013

	Overseas (HK$'000)			Domestic (HK$'000)			Consolidated (HK$'000)
	Strollers and accessories	Other durable juvenile products	Subtotal	Strollers and accessories	Other durable juvenile products	Subtotal	
Segment revenue:							
Sales to external customers	1,260,047	1,571,209	2,831,256	608,051	749,487	1,357,538	4,188,794
Intersegment sales	324,121	248,101	572,222	—	—	—	572,222
			3,403,478			1,357,538	4,761,016
Reconciliation:							
Elimination of intersegment sales							(572,222)
Revenue							4,188,794
Cost of sales							(3,228,205)
Other income and gains							48,593
Operating costs							(806,940)
Other expenses							(11,056)
Finance income – net							3,764
Share of losses of a joint venture							(22)
Profit before tax							194,928

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2012

	Overseas (HK$'000)			Domestic (HK$'000)			Consolidated (HK$'000)
	Strollers and accessories	Other durable juvenile products	Subtotal	Strollers and accessories	Other durable juvenile products	Subtotal	
Segment revenue:							
Sales to external customers	1,485,812	1,765,577	3,251,389	584,823	718,250	1,303,073	4,554,462
Intersegment sales	164,207	435,858	600,065	—	—	—	600,065
			3,851,454			1,303,073	5,154,527
Reconciliation:							
Elimination of intersegment sales							(600,065)
Revenue							4,554,462
Cost of sales							(3,682,571)
Other income and gains							54,030
Operating costs							(702,620)
Other expenses							(3,381)
Finance costs – net							(3,987)
Share of losses of a joint venture							(30)
Profit before tax							215,903

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	European market (HK$'000)	North America (HK$'000)	Mainland China (HK$'000)	Other overseas markets (HK$'000)	Total (HK$'000)
Year ended 31 December 2013					
Segment revenue:					
Sales to external customers	**1,015,262**	**1,126,952**	**1,357,538**	**689,042**	**4,188,794**
Year ended 31 December 2012					
Segment revenue:					
Sales to external customers	1,271,032	1,330,118	1,303,073	650,239	4,554,462

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

(b) Non-current assets

Since all non-current assets, other than deferred tax assets, are located in Mainland China, no geographical information for non-current assets is presented.

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:

	2013 (HK$'000)	2012 (HK$'000)
Revenue	**1,294,894**	1,704,538

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.

5. REVENUE, OTHER INCOME AND GAINS

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

	Group	
	2013 (HK$'000)	2012 (HK$'000)
Revenue:		
Sales of goods	**4,188,794**	4,554,462
Other income and gains:		
Government grants (note (a))	**27,540**	29,770
Gain on sales of materials	**12,422**	13,666
Gain on wealth investment products (note (b))	**4,079**	3,076
Compensation income (note (c))	**3,916**	2,101
Service fee income (note (d))	**480**	2,431
Others	**156**	2,986
Total	**48,593**	54,030

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.

Note (b): The amount represents the gain on 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.

6. FINANCE INCOME

	Group	
	2013 (HK$'000)	2012 (HK$'000)
Interest income on bank deposits	**10,590**	7,910

7. FINANCE COSTS

	Group	
	2013 (HK$'000)	2012 (HK$'000)
Interest expense on bank loans	**6,826**	11,897

8. PROFIT BEFORE TAX

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

	Group	
	2013 (HK$'000)	2012 (HK$'000) Restated
Cost of inventories recognised as expenses	**3,442,170**	3,902,763
Cost of services provided	**2,534**	3,728
Depreciation of items of property, plant and equipment	**103,525**	93,232
Amortisation of intangible assets	**4,880**	4,158
Amortisation of land lease payments	**2,507**	2,556
Research and development costs ("R&D")	**115,029**	116,090
Lease payments under operating leases in respect of properties	**61,633**	45,832
Auditors' remuneration	**4,386**	4,041
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	**815,371**	829,440
Pension scheme contributions	**32,332**	29,958
	847,703	859,398
Share option expense	**4,671**	9,752
Net foreign exchange losses	**9,416**	1,565
Impairment of accounts receivable	**9**	1
Write-down of inventories to net realizable value	**3,287**	41
Product warranties	**5,217**	16,827
Loss on disposal of items of property, plant and equipment	**276**	138
Bank interest income	**(10,590)**	(7,910)

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2013 (HK$'000)	2012 (HK$'000)
Fees	**1,270**	737
Other emoluments:		
Salaries, allowances and benefits in kind	**11,708**	11,482
Performance-related bonuses	—	—
Pension scheme contributions	**12**	11
	11,720	11,493
	12,990	12,230

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2013 (HK$'000)	2012 (HK$'000)
LONG Yongtu	—	—
BRUCE, Iain Ferguson	**304**	233
SHI Xiaoguang	**229**	194
	533	427

There were no other emoluments payable to the independent non-executive directors in 2013 (2012: Nil).

9. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors and non-executive directors

2013

	Fees (HK$'000)	Salaries, allowances and benefits in kind (HK$'000)	Performance-related bonuses (HK$'000)	Pension scheme contributions (HK$'000)	Total remuneration (HK$'000)
Executive directors:					
SONG Zhenghuan	—	7,563	—	—	7,563
WANG Haiye	—	4,145	—	12	4,157
	—	11,708	—	12	11,720
Non-executive directors:					
CHIANG Yun	191	—	—	—	191
ERIC, Ho Kwok Yin*	533	—	—	—	533
GRADEL, Christopher Marcus*	13	—	—	—	13
	737	—	—	—	737

* The Board announced the resignation of Mr. Christopher Marcus Gradel as a non-executive Director and the appointment of Mr. Ho Kwok Yin, Eric as a non-executive Director, both with effect from 1 February 2013.

9. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors and non-executive directors (Continued)

2012

	Fees (HK$'000)	Salaries, allowances and benefits in kind (HK$'000)	Performance-related bonuses (HK$'000)	Pension scheme contributions (HK$'000)	Total remuneration (HK$'000)
Executive directors:					
SONG Zhenghuan	—	7,417	—	—	7,417
WANG Haiye	—	4,065	—	11	4,076
	—	11,482	—	11	11,493
Non-executive directors:					
GRADEL, Christopher Marcus	155	—	—	—	155
CHIANG Yun	155	—	—	—	155
	310	—	—	—	310

There was no arrangement under which a director waived or agreed to waive any remuneration in 2013 (2012: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2012: two), details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three (2012: three) non-director, highest paid employees for the year are as follows:

	2013 (HK$'000)	2012 (HK$'000)
Salaries, allowances and benefits in kind	**12,262**	10,098
Pension scheme contributions	**90**	225
	12,352	10,323

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2013	2012
HK$2,000,001 to 3,000,000	—	1
HK$3,000,001 to 3,500,000	**1**	1
HK$3,500,001 to 4,000,000	**1**	—
HK$4,000,001 to 4,500,000	—	1
HK$4,500,001 to 5,000,000	—	—
HK$5,000,001 to 5,500,000	**1**	—
HK$5,500,001 to 6,000,000	—	—
	3	3

During the year, no directors, nor any of the non-director, highest paid employees waived or agreed to waive any remuneration (2012: none). None of the directors, or any of the non-director, highest paid employees was paid by the Group as an inducement to join or upon joining the Group or as compensation for loss of office (2012: none).

11. 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 8.5% and 9.5% in the respective states where the subsidiary operates, and the federal income tax rates range from 15% to 39% on a progressive basis.

11. INCOME TAX (Continued)

The Group's subsidiary registered in Japan is subject to income tax based on the taxable income at rates ranging from 20.7% to 35.3% on a progressive basis.

The Group's subsidiaries registered in the Netherlands are subject to income tax based on the taxable income at rates ranging from 20% to 25.5% 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 2011 to 2013.

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

	Group	
	2013	2012
	(HK$'000)	(HK$'000)
Current income tax - PRC		
– Income tax for the year	**10,374**	23,955
–(Overprovision)/underprovision in prior years	**(1,630)**	54
	8,744	24,009
United States state and federal income taxes	**1,450**	1,512
Japan income tax	**26**	33
Netherlands income tax	**98**	84
Hong Kong profits tax	**13,213**	8,713
Deferred income tax (note 27)	**268**	(1,571)
Income tax expense reported in the statement of comprehensive income	**23,799**	32,780

11. INCOME TAX (Continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the effective tax rate for the year is as follows:

	Group	
	2013 (HK$'000)	2012 (HK$'000)
Profit before tax	**194,928**	215,903
Expected income tax on profit before tax, calculated at the applicable tax rate of 25%	**48,732**	53,976
Lower tax rate for specific provision	**(15,788)**	(14,456)
Tax credit arising from additional deduction of R&D expenditures of PRC subsidiaries	**(9,972)**	(8,744)
(Overprovision)/underprovision in prior years	**(1,630)**	54
Non-taxable income	**(34)**	(19)
Non-deductible expenses	**2,491**	1,969
Income tax expense	**23,799**	32,780

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2013 includes a profit of HK$7,420,000 (2012: loss of HK$9,177,000) which has been dealt with in the financial statements of the Company (note 32(b)).

13. DIVIDENDS

	2013 (HK$'000)	2012 (HK$'000)
Final dividend proposed subsequent to the reporting period – HK5 cents per ordinary share (2012: HK5 cents)	**55,045**	50,000
Net	**55,045**	50,000

The final dividend proposed subsequent to the reporting period has not been recognised as a liability at the end of the reporting period and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

14. EARNINGS PER SHARE

The calculation of 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 1,003,652,000 in issue during the year (2012: 1,000,000,000).

The calculation of 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:

	2013 (HK$'000)	2012 (HK$'000)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**171,213**	181,207

	2013 ('000)	2012 ('000)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,003,652**	1,000,000
Effect of dilution - weighted average number of ordinary shares:		
Share options	**6,267**	—
Total	**1,009,919**	1,000,000

15. PROPERTY, PLANT AND EQUIPMENT

Group

31 December 2013

	Buildings (HK$'000)	Plant and machinery (HK$'000)	Motor vehicles (HK$'000)	Furniture and fixtures (HK$'000)	Leasehold improvements (HK$'000)	Construction in progress (HK$'000)	Total (HK$'000)
At 31 December 2012 and at 1 January 2013:							
Cost	471,252	611,361	10,422	137,588	45,068	6,233	1,281,924
Accumulated depreciation	(174,515)	(334,728)	(4,699)	(53,711)	(38,317)	—	(605,970)
Net carrying amount	296,737	276,633	5,723	83,877	6,751	6,233	675,954
At 1 January 2013, net of accumulated depreciation	296,737	276,633	5,723	83,877	6,751	6,233	675,954
Additions	6,201	38,446	2,243	60,607	3,658	7,324	118,479
Disposals	(19)	(2,881)	(148)	(68)	(922)	—	(4,038)
Depreciation provided during the year	(21,565)	(41,329)	(1,541)	(36,421)	(2,669)	—	(103,525)
Transfers	2,435	4,187	—	—	1,954	(8,576)	—
Translation adjustments	9,092	8,631	188	2,677	458	(7)	21,039
At 31 December 2013, net of accumulated depreciation	292,881	283,687	6,465	110,672	9,230	4,974	707,909
At 31 December 2013:							
Cost	494,739	654,555	11,525	202,590	40,755	4,974	1,409,138
Accumulated depreciation	(201,858)	(370,868)	(5,060)	(91,918)	(31,525)	—	(701,229)
Net carrying amount	292,881	283,687	6,465	110,672	9,230	4,974	707,909

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group (Continued)

31 December 2012

	Buildings (HK$'000)	Plant and machinery (HK$'000)	Motor vehicles (HK$'000)	Furniture and fixtures (HK$'000)	Leasehold improvements (HK$'000)	Construction in progress (HK$'000)	Total (HK$'000)
At 31 December 2011 and at 1 January 2012:							
Cost	441,854	554,197	9,334	93,087	48,461	15,894	1,162,827
Accumulated depreciation	(154,428)	(292,536)	(3,411)	(33,390)	(38,975)	—	(522,740)
Net carrying amount	287,426	261,661	5,923	59,697	9,486	15,894	640,087
At 1 January 2012, net of accumulated depreciation	287,426	261,661	5,923	59,697	9,486	15,894	640,087
Additions	12,152	48,724	1,085	46,052	1,948	20,094	130,055
Disposals	—	(465)	—	(177)	—	—	(642)
Depreciation provided during the year	(20,037)	(42,636)	(1,284)	(21,464)	(7,811)	—	(93,232)
Transfers	17,199	9,502	—	—	3,019	(29,720)	—
Translation adjustments	(3)	(153)	(1)	(231)	109	(35)	(314)
At 31 December 2012, net of accumulated depreciation	296,737	276,633	5,723	83,877	6,751	6,233	675,954
At 31 December 2012:							
Cost	471,252	611,361	10,422	137,588	45,068	6,233	1,281,924
Accumulated depreciation	(174,515)	(334,728)	(4,699)	(53,711)	(38,317)	—	(605,970)
Net carrying amount	296,737	276,633	5,723	83,877	6,751	6,233	675,954

16. PREPAID LAND LEASE PAYMENTS

Group

	2013 (HK$'000)	2012 (HK$'000)
At beginning of year	**68,022**	70,595
Amortisation	**(2,507)**	(2,556)
Translation adjustments	**2,401**	(17)
At end of year	**67,916**	68,022

17. INTANGIBLE ASSETS

Group

31 December 2013

	Goodwill (HK$'000)	**Trademarks (HK$'000)**	**Computer software (HK$'000)**	**Total (HK$'000)**
At 31 December 2012 and at 1 January 2013:				
Cost	**15,907**	**29,861**	**12,228**	**57,996**
Accumulated amortisation	—	**(18,493)**	**(4,151)**	**(22,644)**
Net carrying amount	**15,907**	**11,368**	**8,077**	**35,352**
At 1 January 2013, net of accumulated amortisation	**15,907**	**11,368**	**8,077**	**35,352**
Additions	—	**2,023**	**1,433**	**3,456**
Amortisation provided during the year	—	**(2,873)**	**(2,007)**	**(4,880)**
Translation adjustments	**499**	**342**	**201**	**1,042**
At 31 December 2013, net of accumulated depreciation	**16,406**	**10,860**	**7,704**	**34,970**
At 31 December 2013:				
Cost	**16,406**	**32,848**	**14,008**	**63,262**
Accumulated amortisation	—	**(21,988)**	**(6,304)**	**(28,292)**
Net carrying amount	**16,406**	**10,860**	**7,704**	**34,970**

17. INTANGIBLE ASSETS (Continued)

Group (Continued)

31 December 2012

	Goodwill (HK$'000)	Trademarks (HK$'000)	Computer software (HK$'000)	Total (HK$'000)
At 31 December 2011 and at 1 January 2012:				
Cost	15,909	29,443	11,211	56,563
Accumulated amortisation	—	(15,748)	(2,733)	(18,481)
Net carrying amount	15,909	13,695	8,478	38,082
At 1 January 2012, net of accumulated amortisation	15,909	13,695	8,478	38,082
Additions	—	420	2,636	3,056
Disposals	—	—	(1,614)	(1,614)
Amortisation provided during the year	—	(2,737)	(1,421)	(4,158)
Translation adjustments	(2)	(10)	(2)	(14)
At 31 December 2012, net of accumulated depreciation	15,907	11,368	8,077	35,352
At 31 December 2012:				
Cost	15,907	29,861	12,228	57,996
Accumulated amortisation	—	(18,493)	(4,151)	(22,644)
Net carrying amount	15,907	11,368	8,077	35,352

17. INTANGIBLE ASSETS (Continued)

Impairment testing of goodwill

Goodwill arose on acquisitions of subsidiaries in prior years. Goodwill has been allocated to the following cash-generating unit ("CGU") for impairment testing:

	2013 (HK$'000)	2012 (HK$'000)
Manufacture and export of stroller-related products	**16,406**	15,907

The recoverable amount of the CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections as at 31 December 2013 is 14% (2012: 14%). No growth has been projected beyond the five-year period.

Key assumptions used in the value in use calculation

Assumptions were used in the value in use calculation of the above cash-generating unit for each reporting date. The following describes each key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

"Budgeted gross margins" — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

"Discount rate" — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to key assumptions are consistent with external information sources.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the cash-generating unit, management believes that no reasonably possible change in any of the above assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.

18. INVENTORIES

	Group	
	2013 (HK$'000)	2012 (HK$'000)
Raw materials	**230,317**	219,782
Work in progress	**122,082**	106,550
Finished goods	**445,584**	298,524
	797,983	624,856

19. TRADE AND NOTES RECEIVABLES

	Group	
	2013 (HK$'000)	2012 (HK$'000)
Trade receivables	**725,049**	750,670
Notes receivable	**13,451**	8,510
	738,500	759,180
Impairment of the trade receivables	**(475)**	(452)
	738,025	758,728

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, is as follows:

	Group	
	2013 (HK$'000)	2012 (HK$'000)
Within 3 months	**700,473**	730,377
3 to 6 months	**19,416**	17,355
6 months to 1 year	**4,332**	2,399
Over 1 year	**353**	87
	724,574	750,218

19. TRADE AND NOTES RECEIVABLES (Continued)

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

	Group	
	2013 (HK$'000)	2012 (HK$'000)
At beginning of year	**452**	488
Recognition of impairment for the year	**9**	1
Amounts written off	—	(37)
Translation adjustments	**14**	—
At end of year	**475**	452

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

	Group	
	2013 (HK$'000)	2012 (HK$'000)
Neither past due nor impaired	**603,119**	684,505
Less than 1 month past due	**103,484**	45,966
1 to 2 months past due	**8,893**	13,389
2 to 3 months past due	**6,026**	3,739
Over 3 months and within 1 year past due	**3,052**	2,619
At end of year	**724,574**	750,218

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.

The carrying amounts of the trade and notes receivables approximate to their fair values due to their short term maturity.

20. PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2013 (HK$'000)	2012 (HK$'000)	**2013 (HK$'000)**	2012 (HK$'000)
Prepayments	**89,288**	94,858	**56**	56
Other receivables	**39,950**	28,461	**6**	7
	129,238	123,319	**62**	63

The above balances are unsecured, interest-free and have no fixed terms of repayment.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

The carrying amounts of other receivables approximate to their fair values due to their short term maturity.

21. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2013 (HK$'000)	2012 (HK$'000)
Unlisted investments, at fair value	**127,830**	123,335

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 4.60% to 5.20% per annum.

The welfare investment products all matured in January and March 2014 with principals and interests fully received.

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 (HK$'000)	2012 (HK$'000) Restated	**2013 (HK$'000)**	2012 (HK$'000)
Cash and bank balances	**608,299**	633,010	**12,223**	819
Denominated in RMB	**469,286**	525,440	—	—
Denominated in HK$	**12,152**	1,332	**11,723**	642
Denominated in other currencies	**126,861**	106,238	**500**	177
Cash and bank balances	**608,299**	633,010	**12,223**	819

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group.

23. 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:

	Group	
	2013 (HK$'000)	2012 (HK$'000)
Within 3 months	**609,094**	690,291
3 to 12 months	**98,586**	90,635
1 to 2 years	**4,938**	5,352
2 to 3 years	**998**	3,654
Over 3 years	**749**	1,336
	714,365	791,268

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.

24. OTHER PAYABLES, ADVANCES FROM CUSTOMERS AND ACCRUALS

	Group		Company	
	2013 (HK$'000)	2012 (HK$'000)	**2013 (HK$'000)**	2012 (HK$'000)
Other payables	**53,976**	61,327	**15,688**	15,688
Advances from customers	**48,157**	73,055	**—**	—
Accruals	**139,567**	155,416	**23**	2
	241,700	289,798	**15,711**	15,690

The above balances are non-interest-bearing and repayable on demand. The carrying amounts of other payables approximate to their fair values due to their short term maturity.

25. PROVISION

Group

	Product warranties (HK$'000)
Balance at 1 January 2012	12,938
Additional provision	16,827
Amounts utilised	(18,042)
Translation adjustments	(1)
Balance at 31 December 2012 and 1 January 2013	11,722
Additional provision	5,217
Amounts utilised	(8,708)
Translation adjustments	310
Balance at 31 December 2013	8,541

The Group provides warranties to its customers on certain of its products, under which faulty products are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

26. INTEREST-BEARING BANK BORROWINGS

	Group					
	2013			2012		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank borrowings pledged by intra-group trade receivables	**1.70-3.24**	**2014**	**447,239**	0.81-1.32	2013	220,783
Total			**447,239**			**220,783**

All short term bank borrowings were obtained from third party financial institutions. As at 31 December 2013, a subsidiary had pledged trade receivables of approximately HK$479,772,000 (2012: HK$246,242,000) to secure certain of the Group's bank loans and these trade receivables had been eliminated at the group level.

	Group	
	2013 (HK$'000)	2012 (HK$'000)
Analysed into:		
Bank loans repayable:		
Within one year	**447,239**	220,783
	447,239	220,783

The carrying amounts of the Group's current interest-bearing bank borrowings approximate to their fair values due to their short term maturity.

27. DEFERRED TAX

The movements in deferred tax assets and liabilities of the Group during the year are as follows:

Deferred tax assets - Group:

	Provision for impairment of receivables (HK$'000)	Write-down of inventories (HK$'000)	Provision (HK$'000)	Accruals (HK$'000)	Losses available for offsetting against future taxable profits (HK$'000)	Depreciation allowance in excess of related depreciation (HK$'000)	Total (HK$'000)
As at 1 January 2012	101	3,394	2,293	8,692	673	—	15,153
(Charged)/credited to profit or loss (note 11)	(5)	(24)	(277)	462	(670)	—	(514)
Translation adjustments	—	(1)	(1)	(1)	(3)	—	(6)
As at 31 December 2012 and 1 January 2013	96	3,369	2,015	9,153	—	—	14,633
Credited/(charged) to profit or loss (note 11)	1	857	(567)	(1,109)	242	308	(268)
Translation adjustments	3	118	56	278	—	—	455
As at 31 December 2013	100	4,344	1,504	8,322	242	308	14,820

The Group has tax losses arising in Mainland China of HK$969,000 (2012: Nil).

Deferred tax liabilities - Group:

	Withholding tax on undistributed profits of the PRC subsidiaries (HK$'000)	Derivative financial instruments (HK$'000)	Total (HK$'000)
At 1 January 2012	18,580	2,092	20,672
Credited to profit or loss (note 11)	—	(2,085)	(2,085)
Translation adjustments	(2)	(7)	(9)
At 31 December 2012 and 1 January 2013	18,578	—	18,578
Translation adjustments	581	—	581
At 31 December 2013	19,159	—	19,159

27. DEFERRED TAX (Continued)

Pursuant to the EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings generated after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. The applicable tax rate of the Group is 10%.

Pursuant to the Board resolutions of GCPC, PCPC and GCPN dated 18 March 2014, all of which are directly or indirectly controlled by GBHK, profits earned by the aforesaid subsidiaries in 2013 will not be appropriated to GBHK in 2014 and onwards. Hence, deferred tax liability arising from the withholding tax on profits generated by the aforesaid companies in the current year is not applicable as of 31 December 2013.

At 31 December 2013, other than the amount recognised in the consolidated financial statements, deferred tax has not been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such remaining earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$579,596,000 at 31 December 2013 (2012: HK$485,700,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

27. DEFERRED TAX (Continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	Group	
	2013 (HK$'000)	2012 (HK$'000)
Deferred tax assets arising from:		
– Provision for impairment of receivables	**100**	96
– Write-down of inventories	**4,344**	3,369
– Provision	**1,504**	2,015
– Accruals	**7,595**	9,153
– Losses available for offsetting against future taxable income	**969**	—
– Depreciation allowance in excess of related depreciation	**308**	—
	14,820	14,633
Deferred tax liabilities arising from:		
– Withholding tax on undistributed earnings of the PRC subsidiaries	**(19,159)**	(18,578)
Deferred tax liabilities, net	**(4,339)**	(3,945)
Reflected in the consolidated statement of financial position:		
– Deferred tax assets	**14,820**	14,633
– Deferred tax liabilities	**(19,159)**	(18,578)

28. INVESTMENTS IN SUBSIDIARIES - COMPANY

	2013 (HK$'000)	2012 (HK$'000)
Unlisted equity investments, at cost	**8,805**	8,805
Less: Impairment of investments	—	—
	8,805	8,805

28. INVESTMENTS IN SUBSIDIARIES - COMPANY (Continued)

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration	Percentage of equity interest attributable to the Company		Nominal value of issued/ registered paid-up capital	Principal activities
		Direct	Indirect		
Goodbaby (Hong Kong) Limited ("GBHK")	Hong Kong 23 July 1999	100%	—	HK$1,000	Investment holding and distribution and sale of safety belts, cloth sets,car safety seats, car components for children and infant strollers
Turn Key Design Cooperative U.A. ("GBNH")	Netherlands 21 January 2008	1%	99%	EUR100	Investment holding
Goodbaby Children's Products, Inc. ("GCPI")	The United States of America 16 May 2002	—	100%	US$200,000	Distribution and sale of safety belts, cloth sets, car safety seats, car components for children and infant strollers
GCPC	PRC 18 November 1994	—	100%	US$52,000,000	Manufacture, distribution and sale of safety belts, cloth sets, car safety seats, car components for children, infant strollers and bicycles
GCPN	PRC 9 September 1996	—	85%	RMB10,000,000	Manufacture, distribution and sale of child cloth beds, infant strollers, bath chairs for children and stadium chairs
PCPC	PRC 5 November 2008	—	100%	RMB10,000,000	Manufacture, distribution and sale of dining chairs, cribs and tricycles for children
Pingxiang Goodbaby Child Products Co., Ltd. ("GCPX")	PRC 26 December 2011		100%	RMB2,000,000	Manufacture, distribution and sale of child cloth beds, infant strollers, bath chairs for children and stadium chairs
Goodbaby Japan Co., Ltd. ("GBJP")	Japan 5 February 2008	—	100%	JPY3,000,000	R&D services and preliminary product design
Turn Key Design B.V. ("GBNE")	Netherlands 24 January 2008	—	100%	EUR18,000	R&D services and preliminary product design
Jiangsu EQO Testing Services Co., Ltd. ("EQTC")	PRC 30 November 2012	—	100%	RMB5,000,000	Testing of children's products, tools, electronic products and advisory service for risk valuation of products quality

28. INVESTMENTS IN SUBSIDIARIES - COMPANY (Continued)

(i) GCPC and PCPC are wholly-foreign-owned enterprises established in the PRC.

(ii) GCPN is a Sino-foreign equity company established in the PRC.

(iii) GCPX and EQTC are domestic companies established in the PRC.

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of HK$1,227,751,000 (2012: HK$964,511,000) and HK$301,568,000 (2012: HK$274,000), respectively, are unsecured, interest-free and are repayable on demand or within one year.

29. INVESTMENT IN A JOINT VENTURE

	Group		Company	
	2013 (HK$'000)	2012 (HK$'000)	**2013 (HK$'000)**	2012 (HK$'000)
Unlisted investments, at cost	—	—	**1,562**	1,562
Share of net assets	**961**	983	—	—
	961	983	**1,562**	1,562

Particulars of the Group's joint venture are as follows:

Name	Particulars of issued shares held	Place of registration and business	Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
Kunshan Goodbaby Tommee Tippee Child Products Co., Ltd. ("GCTP")	US$300,000	PRC/ Mainland China	51%	50%	51%	Distribution and sale of milk bottles, tableware and toys

The above investment in a joint venture is directly held by the Company.

GCTP is accounted for as a joint venture pursuant to the joint venture contract using the equity method and the Group can only appoint half of the board members of GCTP.

29. INVESTMENT IN A JOINT VENTURE (Continued)

The following table illustrates the summarised financial information of GCTP:

	2013 (HK$'000)	2012 (HK$'000)
Cash and cash equivalents	**731**	708
Other current assets	**1,281**	1,276
Current assets	**2,012**	1,984
Non-current assets	**—**	1
Current liabilities	**(128)**	(58)
Net assets	**1,884**	1,927
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**51%**	51%
Group's share of net assets of the joint venture	**961**	983
Carrying amount of the investment	**961**	983
Administrative expenses	**(46)**	(61)
Interest income	**3**	2
Profit and total comprehensive income for the year	**(43)**	(59)

30. SHARE CAPITAL

	Number of shares		Amount	
	2013 ('000)	2012 ('000)	2013 (HK$'000)	2012 (HK$'000)
Authorised:				
Ordinary shares of HK$0.01 each	**50,000,000**	50,000,000	**500,000**	500,000

30.SHARE CAPITAL (Continued)

	2013 (HK$'000)	2012 (HK$'000)
Issued and fully paid:		
1,005,409,000 (2012: 1,000,000,000) ordinary shares of HK$0.01 each	**10,054**	10,000

A summary of the transactions during the year and movements in the Company's issued share capital is as follows:

	Number of shares in issue ('000)	Issued capital (HK$'000)	Share premium (HK$'000)	Total (HK$'000)
At 1 January 2012	1,000,000	10,000	916,913	926,913
Proposed final 2012 dividend (note 13)	—	—	(26,869)	(26,869)
At 31 December 2012 and 1 January 2013	1,000,000	10,000	890,044	900,044
Share options exercised (note (a))	5,409	54	15,416	15,470
Proposed final 2013 dividend (note 13)	—	—	(47,625)	(47,625)
Difference between proposed and declared 2012 dividend	—	—	(238)	(238)
At 31 December 2013	1,005,409	10,054	857,597	867,651

(a) The subscription rights attaching to 5,409,000 share options were exercised at the subscription price of HK$2.12 per share (note 31), resulting in the issue of 5,409,000 shares of HK$2.12 each for a total cash consideration, before expenses, of HK$11,467,000. An amount of HK$4,003,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 31 to the financial statements.

31. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of motivating the eligible participants to optimise their performance efficiency for the benefit of the Group; and attracting and retaining or otherwise maintaining on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group. Eligible participants of the Scheme include full-time or part-time employees, executives or officers of the Company or any of its subsidiaries, any directors (including non-executive and independent non-executive directors) of the Company or any of its subsidiaries and advisers, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the board will contribute or have contributed to the Company or any of its subsidiaries as described in the Scheme. The Scheme has become effective on 5 November 2010 and, unless otherwise cancelled or amended, remains in force for 10 years from that date.

The maximum number of share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at 5 November 2010. The maximum number of shares issuable under share options to each eligible participant under the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue as at the date on which the share options are granted to the relevant eligible participants. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

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

31. SHARE OPTION SCHEME (Continued)

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

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

The following share options were outstanding under the Scheme during the year:

	Weighted average exercise price HK$ per share	Number of options '000
At 1 January 2012	—	—
Granted during the year	2.120	30,544
Forfeited during the year	2.120	(1,348)
At 31 December 2012, 1 January 2013	2.120	29,196
Forfeited during the year	2.120	(1,232)
Exercised during the year	2.120	(5,409)
At 31 December 2013	2.120	22,555

The weighted average share price at the date of exercise for share options exercised during the year was HK$4.16 per share (2012: No share options were exercised).

31. SHARE OPTION SCHEME (Continued)

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

2013

Number of options '000	Exercise price HK$ per share	Exercise period
555	**2.120**	**3 January 2013 to 2 January 2018**
7,260	**2.120**	**3 January 2015 to 2 January 2018**
7,260	**2.120**	**3 January 2016 to 2 January 2018**
7,480	**2.120**	**3 January 2017 to 2 January 2018**
22,555		

2012

Number of options '000	Exercise price HK$ per share	Exercise period
6,146	2.120	3 January 2013 to 2 January 2018
7,606	2.120	3 January 2015 to 2 January 2018
7,606	2.120	3 January 2016 to 2 January 2018
7,838	2.120	3 January 2017 to 2 January 2018
29,196		

The Group recognised a share option expense of HK$4,671,000 (2012: HK$9,752,000) during the year ended 31 December 2013.

31. SHARE OPTION SCHEME (Continued)

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

	Share options granted on 3 January 2012
Dividend yield (%)	2.00
Spot stock price (HK$ per share)	2.12
Historical volatility (%)	52.00
Risk-free interest rate (%)	1.11
Expected life of options (year)	6.00
Weighted average share price (HK$ per share)	2.12

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

No other feature of the options granted was incorporated into the measurement of fair value.

The 5,409,000 share options exercised during the year resulted in the issue of 5,409,000 ordinary shares of the Company and new share capital of HK$54,090 and share premium of HK$15,416,000 (before issue expenses), as further detailed in note 30 to the financial statements.

At the end of the reporting period, the Company had 22,555,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 22,555,000 additional ordinary shares of the Company and additional share capital of HK$225,550 and share premium of HK$47,591,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 22,555,000 share options outstanding under the Scheme, which represented approximately 2.24% of the Company's shares in issue as at that date.

32. RESERVES

(a) GROUP

The changes in the reserves of the Group during the year have been disclosed in the consolidated statement of changes in equity of the Group.

Statutory reserve funds

Statutory reserve funds comprise:

(i) Reserve fund

PRC laws and regulations require wholly-owned foreign enterprises ("WOFE") to provide for the reserve fund by appropriating a part of the net profit (based on the entity's statutory accounts) before dividend distribution. Each subsidiary being WOFE is required to appropriate at least 10% of its net profit after tax to the reserve fund until the balance of this fund has reached 50% of its registered capital. The reserve fund can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital.

(ii) Enterprise expansion fund

In accordance with relevant regulations and the articles of association of the Group's PRC subsidiaries, appropriations from net profit should be made to the enterprise expansion fund, after offsetting accumulated losses from prior years, and before profit distributions to the investors for the subsidiaries registered in the PRC as foreign invested companies. The percentages to be appropriated to the enterprise expansion fund are determined by the boards of directors of the subsidiaries.

(iii) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the Group's PRC subsidiaries, a subsidiary registered in the PRC as a domestic company is required to appropriate 10% of its annual statutory net profit (after offsetting any prior years' losses) to the statutory surplus reserve. When the balance of this reserve fund reaches 50% of the entity's capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after these usages.

32. RESERVES (Continued)

(a) GROUP (Continued)

Merger reserve

As at 31 December 2013, the merger reserve represents:

(i) In 2001, the Group acquired GCPC from GCPC's then shareholders through the issue of the Company's shares to GCPC's then shareholders. The difference between the nominal value of the Company's share of the paid-up capital of GCPC and the par value of the Company's shares issued amounting to HK$108,281,000 was recognised in the merger reserve account;

(ii) In 2007, Geoby Electric Vehicle Co., Ltd. ("GPCL") was established to take over certain operations from the Group and the net asset value of the discontinued operation over the consideration received amounting to HK$1,362,000 was recognised as a deemed distribution in the merger reserve account;

(iii) As mentioned in note 2.1 above, the Group acquired the wooden products and E-car businesses through acquiring a 100% equity interest in PCPC in June 2010 and this acquisition was accounted for using the pooling of interests method. Prior to the establishment of PCPC on 5 November 2008, the wooden products and E-car businesses were carried out by a fellow subsidiary, GPCL. Upon establishment, PCPC acquired all the assets and liabilities related to the wooden products and E-car businesses from GPCL at their respective book values and continued the wooden products and E-car businesses afterwards. Accordingly, the retained earnings of HK$11,357,000 in respect of the wooden products and E-car businesses generated prior to the establishment of PCPC were capitalised in the merger reserve account in 2008; and

(iv) In 2010, the Group disposed of its equity interests in GCCL, SHFS, SGOL, RCBL, MGCR and MGRL to GBHL for a consideration of HK$287,936,000 in aggregate. The consideration over the net asset value of the discontinued operations amounting to HK$35,699,000 was recognised as a deemed contribution in the merger reserve account.

32. RESERVES (Continued)

(b) COMPANY

	Share premium (HK$'000)	Share option reserve (HK$'000)	Retained earnings (HK$'000)	Total (HK$'000)
As at 1 January 2012	916,913	—	32,308	949,221
Loss for the year	—	—	(9,177)	(9,177)
Equity-settled share option arrangements	—	9,752	—	9,752
Proposed final 2012 dividend (note 13)	(26,869)	—	(23,131)	(50,000)
As at 31 December 2012 and 1 January 2013	890,044	9,752	—	899,796
Profit for the year	—	—	7,420	7,420
Difference between proposed and declared 2012 dividend	(238)	—	—	(238)
Issue of shares	15,416	(4,003)	—	11,413
Equity-settled share option arrangements	—	5,055	—	5,055
Proposed final 2013 dividend (note 13)	(47,625)	—	(7,420)	(55,045)
Transfer of share option reserve upon the forfeiture or expiry of share options	—	(384)	—	(384)
As at 31 December 2013	857,597	10,420	—	868,017

33. OPERATING LEASE ARRANGEMENTS

Group as lessee

	2013 (HK$'000)	2012 (HK$'000)
Within one year	**39,529**	30,315
After one year but not more than five years	**93,469**	71,293
More than five years	**15,153**	16,000
	148,151	117,608

34. COMMITMENTS

The Group had the following capital commitments as at 31 December:

	Group	
	2013 (HK$'000)	2012 (HK$'000)
Contracted, but not provided for in respect of acquisition of:		
Property, plant and equipment	**2,392**	1,322

35. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Name and relationship

Name of related party	**Relationship with the Group**
Mr. Song Zhenghuan ("Mr. Song")	Director and one of the ultimate shareholders of the Company
Ms. Fu Jingqiu ("Ms. Fu")	One of the ultimate shareholders of the Company
Goodbaby Bairuikang Hygienic Products Co., Ltd. ("BRKH")	50/50 jointly controlled by First Shanghai Hygienic Products Limited and Sure Growth Investments Limited, which is significantly influenced by Mr. Song and Ms. Fu
Goodbaby Group Co., Ltd. ("GGCL")	Significantly influenced by Mr. Song
GCCL	Controlled by GBHL
SGCP	Controlled by MJSL
Goodbaby Group Pingxiang Co., Ltd. ("GGPX")	Controlled by GGCL

35. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Related party transactions

Group

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

	2013 (HK$'000)	2012 (HK$'000)
Sales of goods to a related party (note (a))		
GCCL#	**583,977**	446,912
Purchase of goods from a related party (note (b))		
GCCL#	**621**	—
Rental expense to a related party (note (c))		
GGPX#	**4,650**	—
GGCL#	**878**	861
	5,528	861
Expenses paid on behalf of related parties (note (d))		
GCCL#	**1,160**	912
SGCP#	**78**	116
	1,238	1,028
Expenses paid by a related party (note (d))		
BRKH#	**345**	315

Note (a): The sales of goods to the related party were made according to the prices and terms agreed with the related party.

Note (b): The purchase of goods from the related party were made according to the prices and terms agreed with the related party.

Note (c): The rental expense to a related party was made according to the prices and terms agreed with the related party.

Note (d): Expenses paid on behalf of/by the related parties are interest-free and repayable on demand.

These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

35. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(c) Outstanding balance with a related party

	GROUP	
	2013 (HK$'000)	2012 (HK$'000)
Amount due from a related party:		
GCCL	**235,717**	133,487

The amount due from a related party is unsecured, interest-free and repayable on demand.

(d) Compensation of key management personnel of the Group

	2013 (HK$'000)	2012 (HK$'000)
Short term employee benefits	**27,359**	26,344
Equity-settled share option expense	**593**	595
Post-employment benefits	**358**	421
Total compensation paid to key management personnel	**28,310**	27,360

Further details of directors' remuneration are included in note 9 to the financial statements.

36. FINANCIAL INSTRUMENTS BY CATEGORY

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

GROUP

Financial assets

As at 31 December 2013	**Available-for-sale financial assets (HK$'000)**	**Loans and receivables (HK$'000)**	**Total (HK$'000)**
Trade and notes receivables	—	**738,025**	**738,025**
Financial assets included in prepayments and other receivables (note 20)	—	**39,950**	**39,950**
Due from a related party	—	**235,717**	**235,717**
Available-for-sale investments	**127,830**	—	**127,830**
Cash and cash equivalents	—	**608,299**	**608,299**
	127,830	**1,621,991**	**1,749,821**

As at 31 December 2012	Available-for-sale financial assets (HK$'000)	Loans and receivables (HK$'000) Restated	Total (HK$'000) Restated
Trade and notes receivables	—	758,728	758,728
Financial assets included in prepayments and other receivables (note 20)	—	28,461	28,461
Due from a related party	—	133,487	133,487
Available-for-sale investments	123,335	—	123,335
Cash and cash equivalents	—	633,010	633,010
	123,335	1,553,686	1,677,021

36. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

GROUP (Continued)

Financial liabilities

As at 31 December 2013	**Financial liabilities at amortised cost (HK$'000)**
Financial liabilities included in other payables, advances from customers and accruals (note 24)	53,976
Trade and notes payables	714,365
Interest-bearing bank borrowings	447,239
	1,215,580

As at 31 December 2012	Financial liabilities at amortised cost (HK$'000)
Financial liabilities included in other payables, advances from customers and accruals (note 24)	61,327
Trade and notes payables	791,268
Interest-bearing bank borrowings	220,783
	1,073,378

36. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

COMPANY

Financial assets

As at 31 December 2013	Loans and receivables (HK$'000)
Financial assets included in prepayments and other receivables (note 20)	**6**
Due from subsidiaries	**1,227,751**
Cash and cash equivalents	**12,223**
	1,239,980

As at 31 December 2012	Loans and receivables (HK$'000)
Financial assets included in prepayments and other receivables (note 20)	7
Due from subsidiaries	964,511
Cash and cash equivalents	819
	965,337

36. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

COMPANY (Continued)

Financial liabilities

As at 31 December 2013	**Financial liabilities at amortised cost (HK$'000)**
Financial liabilities included in other payables, advances from customers and accruals (note 24)	**15,688**
Due to a subsidiary	**301,568**
	317,256

As at 31 December 2012	Financial liabilities at amortised cost (HK$'000)
Financial liabilities included in other payables, advances from customers and accruals (note 24)	15,688
Due to a subsidiary	274
	15,962

Management has assessed that the fair values of cash and cash equivalents, trade and notes receivables, trade and notes payables, financial assets included in prepayments and other receivables, available-for-sale investments, financial liabilities included in other payables and accruals, amounts due from/to subsidiaries/related parties and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise interest-bearing bank borrowings, trade payables, other payables and amounts due to related parties. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial investments such as trade and other receivables, cash and cash equivalents and amounts due from related parties, which arise directly from its operations.

The Group also enters into derivative transactions, primarily forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations.

It is, and has been throughout the year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks which are summarised below.

Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with floating interest rates. The interest rates and terms of repayment of borrowings are disclosed in note 26.

The Group has not used any interest swaps to hedge its exposure to interest rate risk. The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

	Increase/ decrease in interest rate	(Decrease)/ increase in profit before tax (HK$'000)
Year ended 31 December 2013	**+5%/-5%**	**(341)/341**
Year ended 31 December 2012	+5%/-5%	(596)/596

A reasonably possible change of 5% in the interest rates with all other variables held constant has no impact on the Group's equity other than retained earnings.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposure. This exposure arises from sales or purchases by operating units in currencies other than the units' functional currencies.

The operating units' functional currencies of the Group are RMB, while the currency which has significant transactional currency exposure is the United States dollar ("US$"). The Group's exposure to foreign currency changes for all other currencies is not material. The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ decrease in US$ rate	Increase/ (decrease) in profit before tax (HK$'000)
Year ended 31 December 2013		
If US$ strengthens against RMB	**5%**	**13,737**
If US$ weakens against RMB	**-5%**	**(13,737)**
Year ended 31 December 2012		
If US$ strengthens against RMB	5%	(3,658)
If US$ weakens against RMB	-5%	3,658

The effect on the profit before tax is a result of a change in the fair value of derivative financial instruments not designated in a hedging relationship and monetary assets and liabilities denominated in US$, where the functional currency of the operating unit is a currency other than the US$. Although the derivatives have not been designated in a hedge relationship, they act as an economic hedge and will offset the underlying transactions when they occur.

A reasonably possible change of 5% in the US$ exchange rate has no impact on the Group's equity other than retained earnings.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Concentration of credit risk exists when changes in economic, industrial or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group has a significant concentration of customers and credit risk as 70% (2012: 71%) in North America and Europe. In view of the good credit histories of these customers, no significant default occurred in the year.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, other receivables and amounts due from related parties, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

The Group monitors its exposure to liquidity risk by monitoring the current ratio, which is calculated by comparing the current assets with the current liabilities.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group's policy is that all the borrowings should be approved by the chief financial officer.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

GROUP

The tables below summarise the maturity profile of the Group's financial liabilities at the end of each reporting period based on contractual undiscounted payments:

31 December 2013	**On demand (HK$'000)**	**Less than 3 months (HK$'000)**	**3 to 12 months (HK$'000)**	**1 to 5 years (HK$'000)**	**Total (HK$'000)**
Interest-bearing bank borrowings	—	**233,680**	**214,035**	—	**447,715**
Trade and notes payables	**609,094**	**105,271**	—	—	**714,365**
Other payables	**53,976**	—	—	—	**53,976**
	663,070	**338,951**	**214,035**	—	**1,216,056**

31 December 2012	On demand (HK$'000)	Less than 3 months (HK$'000)	3 to 12 months (HK$'000)	1 to 5 years (HK$'000)	Total (HK$'000)
Interest-bearing bank borrowings	—	221,124	—	—	221,124
Trade and notes payables	690,291	100,977	—	—	791,268
Other payables	61,327	—	—	—	61,327
	751,618	322,101	—	—	1,073,719

COMPANY

The tables below summarise the maturity profile of the Company's financial liabilities at the end of each reporting period based on contractual undiscounted payments:

31 December 2013	**On demand (HK$'000)**	**Less than 3 months (HK$'000)**	**3 to 12 months (HK$'000)**	**1 to 5 years (HK$'000)**	**Total (HK$'000)**
Other payables	**15,688**	—	—	—	**15,688**
Amount due to a subsidiary	**301,568**	—	—	—	**301,568**
	317,256	—	—	—	**317,256**

31 December 2012	On demand (HK$'000)	Less than 3 months (HK$'000)	3 to 12 months (HK$'000)	1 to 5 years (HK$'000)	Total (HK$'000)
Other payables	15,688	—	—	—	15,688
Amount due to a subsidiary	274	—	—	—	274
	15,962	—	—	—	15,962

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit profile and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. The Group includes, within net debt, interest-bearing bank borrowings, trade and other payables, and other payables, advances from customers and accruals less cash and cash equivalents. Capital represents equity attributable to owners of the parent.

The gearing ratios at the end of the reporting periods were as follows:

	Group	
	2013	2012
	(HK$'000)	(HK$'000)
		Restated
Trade and notes payables	**714,365**	791,268
Other payables, advances from customers and accruals	**241,700**	289,798
Interest-bearing bank borrowings	**447,239**	220,783
Less: Cash and cash equivalents	**(608,299)**	(633,010)
Net debt	**795,005**	668,839
Equity attributable to owners of the parent	**1,996,881**	1,822,363
Capital and net debt	**2,791,886**	2,491,202
Gearing ratio	**28%**	27%

38. EVENT AFTER THE REPORTING PERIOD

(i) On 18 March 2014, the board of directors of the Company proposed a final dividend of HK5 cents per ordinary share totalling approximately HK$55,045,000 for the year ended 31 December 2013, which is subject to the approval of the Company's shareholders at the Annual General Meeting (note 13).

(ii) On 27 January 2014, a subsidiary of the Company, GBHK entered into a Sale and Purchase Agreement (the "SPA") with independent third parties, comprising four individuals and two corporate entities as Mr. Martin Pos, Mr. Matthias Steinacker, Mr. Stefan Huber, Mr. Mankil Cho, Dritte AFM Beteiligungs GmbH and Vierte AFM Beteiligungs GmbH (the "Sellers"). Pursuant to the SPA, GBHK has agreed to acquire the entire issued share capital in Columbus Holding GmbH, a company established in Germany(the "Target"), from the Sellers at a consideration of EUR70,712,000 (equivalent to approximately HK$751,070,000), to be settled in cash as to the amount of EUR38,513,000 (equivalent to approximately HK$409,070,000) and by the issue of 100,000,000 new shares to the Sellers as to the amount of EUR32,199,000 (equivalent to approximately HK$342,000,000). The Target is a branded juvenile company headquartered in Germany and is primarily engaged in the design and sale of juvenile products with branches in Austria, the United Kingdom, France, Italy, the Netherlands and the PRC. On 28 January 2014, the transaction was completed and the Target became a wholly-owned subsidiary of the Group.

39. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of revised IFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third statement of financial position as at 1 January 2012 has been presented.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 March 2014.

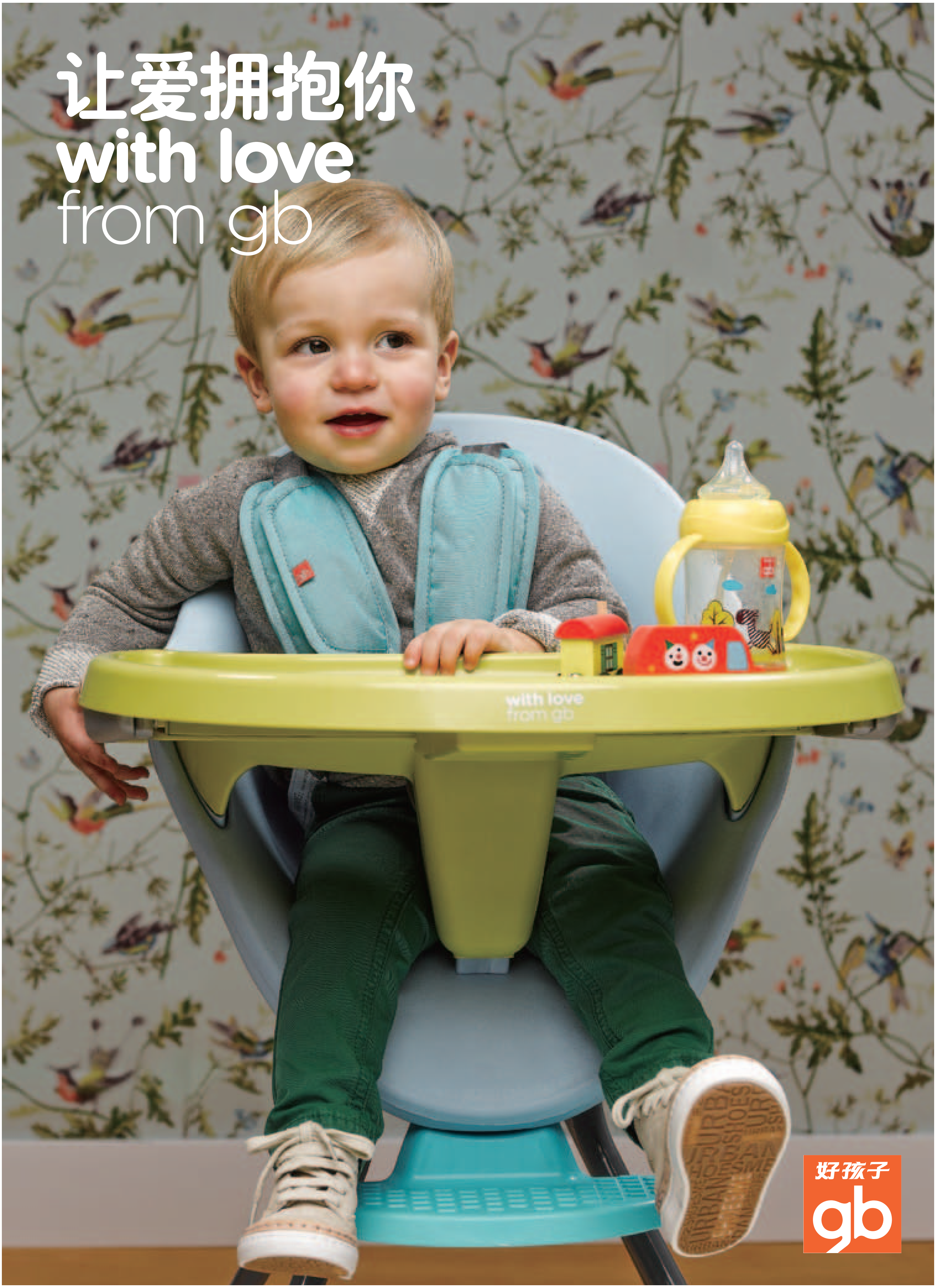
FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. The amounts for each year in the five year financial summary have been adjusted for the effects of the retrospective changes in the accounting policy affecting the definition of subsidiaries and the accounting for joint ventures, as detailed in note 2.2 to the financial statements.

The summary below does not form part of the audited financial statements.

	Year ended 31 December				
	2013	2012	2011	2010	2009
	(HK$'000)	(HK$'000) Restated	(HK$'000)	(HK$'000)	(HK$'000)
RESULTS					
CONTINUING OPERATIONS					
Revenue	**4,188,794**	4,554,462	3,941,672	3,721,908	3,032,235
Cost of sales	**(3,228,205)**	(3,682,571)	(3,267,990)	(2,979,349)	(2,463,360)
Gross profit	**960,589**	871,891	673,682	742,559	568,875
Other income and gains	**48,593**	54,030	106,109	32,851	25,105
Selling and distribution expenses	**(446,969)**	(359,350)	(241,892)	(246,002)	(180,115)
Administrative expenses	**(359,971)**	(343,270)	(330,497)	(245,505)	(175,994)
Share of losses of a joint venture	**(22)**	(30)	—	—	—
Other expenses	**(10,056)**	(3,381)	(5,729)	(20,593)	(20,046)
Operating profit	**191,164**	219,890	201,673	263,310	217,825
Finance income	**10,590**	7,910	3,749	1,163	1,373
Finance costs	**(6,826)**	(11,897)	(11,617)	(18,341)	(14,415)
Profit before tax from continuing operations	**194,928**	215,903	193,805	246,132	204,783
Income tax expense	**(23,799)**	(32,780)	(16,117)	(42,942)	(40,421)
Profit for the year from continuing operations	**171,129**	183,123	177,688	203,190	164,362
DISCONTINUED OPERATIONS					
Loss after tax for the year from discontinued operations	—	—	—	(52,237)	(104,654)
Profit for the year	**171,129**	183,123	177,688	150,953	59,708

	Year ended 31 December				
	2013 (HK$'000)	2012 (HK$'000) Restated	2011 (HK$'000)	2010 (HK$'000)	2009 (HK$'000)
Attributable to:					
Owners of the parent	**171,213**	181,207	176,915	150,925	62,745
Non-controlling interests	**(84)**	1,916	773	28	(3,037)
	171,129	183,123	177,688	150,953	59,708
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**3,463,668**	3,191,679	3,171,239	3,009,887	2,909,852
Total liabilities	**(1,436,176)**	(1,339,550)	(1,463,791)	(1,469,010)	(2,085,439)
Non-controlling interests	**(30,611)**	(29,766)	(27,846)	(25,778)	(31,019)
	1,996,881	1,822,363	1,679,602	1,515,099	793,394



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