Goodbaby International Holdings Limited
好孩子國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1086)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

Financial Highlights

- Revenue for the six months ended 30 June 2014 was HK$2,641.1 million, up 27.2% as compared with HK$2,077.0 million for the corresponding period in 2013.
- Gross profit for the six months ended 30 June 2014 was HK$721.2 million, up 50.1% as compared with HK$480.4 million for the corresponding period in 2013.
- Profit for the six months ended 30 June 2014 was HK$89.3 million, down 8.7% as compared with HK$97.8 million for the corresponding period in 2013. However, excluding the effect of expenses relating to mergers and acquisitions, profit for the six months ended 30 June 2014 amounted to HK$114.1 million, representing an increase of 16.7% as compared to HK$97.8 million in the first half of 2013.

During the reporting period, benefited from the Group's progressly transformation of business model in the PRC market from "push" to "pull", revenue generated from the PRC market of the Group amounted to HK$ 838 million in the first half of the year, representing an increase of 5.6% compared to the same period in 2013, which reversed the decrease trend in sales recorded in the second half of 2013. In respect of the oversea market, taking the advantage of the success of the "three pronged" (blue chip, direct distribution and mergers and acquisitions) strategy, our revenue was substantially increased by 40.4% to HK$ 1,802.7 million in the first half of the year, among others, the revenue from blue chip customers and direct distribution business amounted to HK$1,182.2 million (a growth of 18.6% compared to the same period in 2013) and HK$ 163.5 million (a growth of 243.8% compared to the same period in 2013) respectively. In the first half of 2014, revenue generated from Group's self-owned brands amounted to HK$1,458.9 million, which represented 55.2% of the Group's total revenue. Even though the Group invested significantly in this year, excluding the effect of expenses relating to mergers and acquisitions in the first half of this year, net profit of the Group amounted to HK$114.1 million, representing an increase of 16.7% compared to the same period in 2013.

In the first half of 2014, the Group completed the merger and acquisition of CYBEX, a global renowned high-end child car seats brand based in Germany, and announced the merger and acquisition of Evenflo, a famous durables juvenile products brand based in United States. The Group rapidly expanded and improved our own brands portfolio, and established a localized operating platform in the European and North American market of the Group with world-class design capability and manufacturing technologies of child car seats as well as geniuses brand marketing and fashioned design team through such two mergers and acquisitions, coupled with our original strong market position in the PRC, the leading worldwide market share of stroller, superior research and development capabilities and world-class manufacturing and supply chain, resulting in our transformation and upgrading to one-dragon, vertically integrated full-range durable juvenile products enterprise, which based on our global layout, localized operation and brand marketing, with the support from world-class innovative research and development and manufacturing capabilities.

The board (the "**Board**") of directors ("**Directors**") of Goodbaby International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to present the unaudited consolidated interim results of the Group for the six months ended 30 June 2014, together with the comparative figures for the corresponding period in 2013.

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Notes	**2014**	2013
		(Unaudited)	*(Unaudited)*
		(HK$'000)	*(HK$'000)*
Revenue	3,5	**2,641,131**	2,076,982
Cost of sales		**(1,919,910)**	(1,596,560)
Gross profit		**721,221**	480,422
Other operating income	5	**45,609**	19,030
Selling and distribution costs		**(328,305)**	(214,096)
Administrative expenses		**(309,490)**	(170,884)
Other operating expenses		**(7,558)**	(6,933)
Operating profit		**121,477**	107,539
Finance income	6	**4,707**	3,969
Finance costs	7	**(11,273)**	(2,365)
Share of losses of a joint venture		**(14)**	(17)
Profit before tax	8	**114,897**	109,126
Income tax expense	9	**(25,567)**	(11,304)
Profit for the period		**89,330**	97,822
Attributable to:			
Equity holders of the parent		**88,824**	97,007
Non-controlling interests		**506**	815
		89,330	97,822

	Notes	**2014**	2013
		(Unaudited)	*(Unaudited)*
		(HK$'000)	*(HK$'000)*
Earnings per share attributable to ordinary equity holders of the parent:	11		
Basic			
- For profit for the period (HK$)		**0.08**	0.10
Diluted			
- For profit for the period (HK$)		**0.08**	0.10

Details of the dividends payable and proposed for the period are disclosed in note 10 to the interim condensed consolidated financial statement.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	2014 *(Unaudited)* *(HK$'000)*	2013 *(Unaudited)* *(HK$'000)*
Profit for the period	**89,330**	97,822
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(15,099)**	21,054
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(15,099)**	21,054
Other comprehensive income, net of tax	**(15,099)**	21,054
Total comprehensive income, net of tax	**74,231**	118,876
Attributable to:		
Equity holders of the parent	**74,018**	117,524
Non-controlling interests	**213**	1,352
	74,231	118,876

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Notes	**30 June 2014** *(Unaudited)* *(HK$'000)*	31 December 2013 *(Audited)* *(HK$'000)*
NON-CURRENT ASSETS			
Property, plant and equipment		**725,420**	707,909
Prepaid land lease payments		**66,157**	67,916
Intangible assets		**798,239**	34,970
Investment in a joint venture		**939**	961
Deferred tax assets		**14,030**	14,820
Total non-current assets		**1,604,785**	826,576
CURRENT ASSETS			
Inventories	12	**1,020,811**	797,983
Trade and notes receivables	13	**810,019**	738,025
Prepayments and other receivables		**198,850**	129,238
Due from related parties		**278,119**	235,717
Available-for-sale investments	14	**137,320**	127,830
Cash and cash equivalents		**704,309**	608,299
Time deposits		**167,549**	—
Total current assets		**3,316,977**	2,637,092
CURRENT LIABILITIES			
Trade and notes payables	15	**778,153**	714,365
Other payables, advances from customers and accruals		**346,752**	241,700
Interest-bearing bank borrowings	16	**1,161,011**	447,239
Income tax payable		**45,603**	5,164
Provisions		**10,174**	8,541
Dividends payable		**4,790**	8
Total current liabilities		**2,346,483**	1,417,017

	Notes	30 June 2014 (Unaudited) (HK$'000)	31 December 2013 (Audited) (HK$'000)
NET CURRENT ASSETS		**970,494**	1,220,075
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,575,279**	2,046,651
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	16	**5,125**	—
Deferred tax liabilities		**178,780**	19,159
Total non-current liabilities		**183,905**	19,159
Net assets		**2,391,374**	2,027,492
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**11,010**	10,054
Reserves		**2,349,540**	1,931,782
Proposed final dividend		**—**	55,045
		2,360,550	1,996,881
Non-controlling interests		**30,824**	30,611
Total equity		**2,391,374**	2,027,492

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

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 have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 24 November 2010.

The Group is principally engaged in the manufacturing and distribution of child related products.

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2014 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

2.2 Summary of significant accounting policies

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements for the six months ended 30 June 2014 are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2013, except in relation to the new and revised International Financial Reporting Standards ("IFRSs", which also include IASs and interpretations) as set out in note 2.3 that are adopted for the first time for the current period's unaudited interim condensed consolidated financial statements, the adoption of these new and revised IFRSs has had no significant impact on the results and the financial position of the Group.

2.3 Adoption of new and revised IFRSs

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

The Group has applied, for the first time, several new standards and amendments in 2014. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

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

IFRS 10, IFRS 12 and IAS 27 (2011) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) — *Investment Entities*
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets*
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition And Measurement — Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*

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

3. Operating segments

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

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

(b) Overseas — Car seats and accessories segment, which engages in the research, design, manufacturing and selling of car seats and accessories under the Group's own brands and third parties' brands;

(c) Overseas — Other durable juvenile products segment, which engages in the research, design, manufacturing and selling of cribs and accessories and other children's products under the Group's own brands and third parties' brands;

(d) Domestic — Strollers and accessories segment, which engages in sourcing and distributing strollers;

(e) Domestic — Car seats and accessories segment, which engages in sourcing and distributing car seats; and

(f) Domestic — Other durable juvenile products segment, which engages in sourcing and distributing of durable juvenile products including cribs and accessories and other children's products.

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

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

Six months ended 30 June 2014

	Overseas				Domestic				Consolidated
	HK$'000 *(Unaudited)*				*HK$'000* *(Unaudited)*				*HK$'000* *(Unaudited)*
	Strollers and accessories	**Car seats and accessories**	**Other durable juvenile products**	**Subtotal**	**Strollers and accessories**	**Car seats and accessories**	**Other durable juvenile products**	**Subtotal**	
Segment revenue:									
Sales to external customers	**808,766**	**528,220**	**465,689**	**1,802,675**	**373,130**	**51,143**	**414,183**	**838,456**	**2,641,131**
Intersegment sales	**123,305**	**20,141**	**220,303**	**363,749**	**—**	**—**	**—**	**—**	**363,749**
									3,004,880
Reconciliation:									
Elimination of intersegment sales									**(363,749)**
Revenue									**2,641,131**
Cost of sales									**(1,919,910)**
Other income									**45,609**
Operating costs									**(637,795)**
Other expenses									**(7,558)**
Finance income - net									**(6,566)**
Share of profits and losses of:									
a joint venture									**(14)**
Profit before tax									**114,897**

Six months ended 30 June 2013

	Overseas				Domestic				Consolidated
	HK$'000				*HK$'000*				*HK$'000*
	(Unaudited)				*(Unaudited)*				*(Unaudited)*
	Strollers and accessories	**Car seats and accessories**	**Other durable juvenile products**	**Subtotal**	**Strollers and accessories**	**Car seats and accessories**	**Other durable juvenile products**	**Subtotal**	
Segment revenue:									
Sales to external customers	575,856	221,386	486,062	1,283,304	368,709	43,042	381,927	793,678	2,076,982
Intersegment sales	115,038	21,147	143,683	279,868	—	—	—	—	279,868
									2,356,850
Reconciliation:									
Elimination of intersegment sales									(279,868)
Revenue									2,076,982
Cost of sales									(1,596,560)
Other income									19,030
Operating costs									(384,980)
Other expenses									(6,933)
Finance costs - net									1,604
Share of profits and losses of: a joint venture									(17)
Profit before tax									109,126

4. Business combinations

Acquisition of Columbus Holding GmbH and its subsidiaries

On 27 January 2014, the Group acquired the entire issued share capital in Columbus Holding GmbH, a company established in Germany ("Columbus"), from 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"), at a consideration of EUR70,711,539 (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 EUR32,198,539 (equivalent to approximately HK$342,000,000). Columbus is a branded juvenile Company headquartered in Germany primarily engaged in the design and sale of juvenile products with branches in Austria, the United Kingdom, France, Italy, the Netherlands and PRC. The Group has acquired Columbus to establish a direct distribution network in continental Europe and expand the Group's product portfolio to include premium child safety car seats, and enable the Company to own a premium brand. The acquisition has been accounted for using the acquisition method. The interim condensed consolidated financial statements include the results of Columbus for the five months period from the acquisition date.

The fair values of the identifiable assets and liabilities of Columbus as at the date of acquisition were:

	Fair value recognized on acquisition
	HK$'000
Assets	
Property, plant and equipment	36,608
Intangible assets	534,120
Deferred tax assets	381
Cash and cash equivalents	60,172
Trade receivables	62,190
Prepayments and other receivables	1,792
Inventories	77,036
	772,299
Liabilities	
Interest-bearing bank borrowings	(7,861)
Trade and notes payables	(25,853)
Other payables, advances from customers and accruals	(53,087)
Income tax payable	(10,120)
Deferred tax liabilities	(162,045)
	(258,966)
Total identifiable net assets at fair value	513,333
Goodwill arising on acquisition	237,737
Purchase consideration transferred	751,070
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	60,172
Cash paid	(409,070)
Net cash outflow	(348,898)

From the date of acquisition, Columbus has contributed HK$315,190,000 of revenue and HK$32,400,000 to the net profit before tax of the Group. If the acquisition had taken place at the beginning of the year, the revenue of the Group would have been HK$2,691,657,000 and the profit for the period would have been HK$91,488,000.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Columbus with those of the Group. The goodwill is not deductible for income tax purposes.

5. **Revenue and other operating income**

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

	Six months ended 30 June	
	2014	2013
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
Revenue:		
Sales of goods	**2,641,131**	2,076,982
Other income:		
Government grants (note (a))	**30,749**	11,807
Compensation income (note (b))	**5,324**	990
Gain on wealth investment products (note (c))	**2,834**	2,211
Gain on sales of scrap materials	**2,566**	2,663
Gain on sales of raw materials	**2,203**	613
Service fee income (note (d))	**948**	473
Others	**985**	273
Total	**45,609**	19,030

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 or obtaining the relevant approvals.

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

Note (c): The amount represents the gain on wealth investment products.

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

6. Finance income

	Six months ended 30 June	
	2014	2013
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
- Interest income on bank deposits	**4,707**	3,969

7. Finance costs

	Six months ended 30 June	
	2014	2013
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
- Interest expense on bank loans and borrowings	**11,273**	2,365

8. Profit before tax

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

	Six months ended 30 June	
	2014	2013
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
Cost of inventories recognized as expenses	**1,599,843**	1,353,368
Depreciation of property, plant and equipment	**61,355**	51,936
Amortization of intangible assets	**6,729**	2,513
Amortization of land lease payments	**1,132**	1,142
Research and development costs	**79,793**	52,655
Lease payments under operating leases in respect of properties	**34,086**	22,661
Auditors' remuneration	**2,588**	2,570
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	**463,272**	352,470
Equity-settled share option expense	**2,509**	2,179
Pension scheme contributions	**18,391**	15,276
	484,172	369,925
Net foreign exchange losses	**5,208**	5,988
Provision for impairment of receivables	**—**	8
Product warranty	**5,125**	6,664
(Reversal)/provision for impairment of inventories	**(6,687)**	3,935
Loss on disposal of items of property, plant and equipment	**293**	202
Bank interest income	**(4,707)**	(3,969)

9. 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 period.

State income tax and federal income tax of the Group's subsidiary in the United States have been provided for at a rate of state income tax and federal income tax on the estimated assessable profits of the subsidiary during the period. The state income tax rates are 8.5% and 9.5% in the respective states where the subsidiary operates, and the federal income tax rate ranges from 15% to 39% on a progressive basis.

The Group's subsidiary registered in Japan is subject to income tax based on the taxable income at rates ranging from 20.7% to 35.3% on a progressive basis. During the six months ended 30 June 2014, no income tax in Japan has been provided as there was no taxable income.

The Group's subsidiaries registered in the Netherlands are subject to income tax based on the taxable income at the rate of ranging from 20% to 25.5% on a progressive basis.

The Group's subsidiaries registered in Germany are subject to income tax based on the taxable income at the rate of 30%.

All of the Group's subsidiaries registered in the People's Republic of China ("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 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%.

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

	Six months ended 30 June	
	2014	2013
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
Current income tax — PRC		
- Income tax for the period	**6,082**	10,787
- Over provision in prior years	**(13)**	(1,813)
	6,069	8,974
German income tax	**11,431**	—
Other oversea income tax	**10,103**	6,996
Deferred income tax	**(2,036)**	(4,666)
Income tax expense reported in the consolidated statement of profit or loss	**25,567**	11,304

10. Dividends paid and proposed

	Six months ended 30 June	
	2014	2013
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
Dividends on ordinary shares declared and paid during the six-month period:		
Final dividend for 2013: HK$0.05 (2012: HK$0.05)	**55,047**	50,000

The board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

11. Earnings per share

The calculation of the basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,090,457,833 in issue during the six months ended 30 June 2014, as adjusted to reflect the rights issue during the period (six months ended 30 June 2013: 1,002,023,711).

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

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

	Six months ended 30 June	
	2014	2013
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the earnings per share calculation	**88,824**	97,007

	Number of shares	
	Six months ended 30 June	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**1,090,457,833**	1,002,023,711
Effect of dilution-weighted average number of ordinary shares:		
Share options	**7,885,038**	6,796,389
	1,098,342,871	1,008,820,100

12. Inventories

	As at 30 June 2014	As at 31 December 2013
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Audited)*
Raw materials	**347,526**	230,317
Work in progress	**162,066**	122,082
Finished goods	**511,219**	445,584
	1,020,811	797,983

13. Trade and notes receivables

	As at 30 June 2014 *(HK$'000)* *(Unaudited)*	As at 31 December 2013 *(HK$'000)* *(Audited)*
Trade receivables	**780,338**	725,049
Notes receivables	**30,152**	13,451
	810,490	738,500
Impairment for trade receivables	**(471)**	(475)
	810,019	738,025

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

The Group's notes 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:

	As at 30 June 2014 *(HK$'000)* *(Unaudited)*	As at 31 December 2013 *(HK$'000)* *(Audited)*
Within 3 months	**728,365**	700,473
3 to 6 months	**30,157**	19,416
6 months to 1 year	**19,882**	4,332
Over 1 year	**1,463**	353
	779,867	724,574

14. Available-for-sale investments

	As at 30 June 2014 *(HK$'000)* *(Unaudited)*	As at 31 December 2013 *(HK$'000)* *(Audited)*
Unlisted investments, at fair value	**137,320**	127,830

The above investments consist of investments in wealth investment products which were designated as available-for-sale financial assets and have maturity within one month and coupon rate of 2.80%-5.00% per annum (2013: ranging from 4.60% to 5.20%).

The wealth investment products all matured in July 2014 with principals and interests fully received.

15. Trade and notes payables

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

	As at 30 June 2014 *(HK$'000)* *(Unaudited)*	As at 31 December 2013 *(HK$'000)* *(Audited)*
Within 3 months	**737,880**	609,094
3 to 12 months	**29,072**	98,586
1 to 2 years	**5,980**	4,938
2 to 3 years	**3,690**	998
Over 3 years	**1,531**	749
	778,153	714,365

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.

16. Interest-bearing bank borrowings

		As at 30 June 2014			As at 31 December 2013		
		Effective interest rate (%)	**Maturity**	**HK$'000** *(Unaudited)*	Effective interest rate (%)	Maturity	HK$'000 *(Audited)*
Current							
Bank borrowings-pledged by intra-group trade receivables	**Note(a)**	**2.53-3.42**	**2014**	**442,277**	1.70-3.24	2014	447,239
Bank borrowings-secured and pledged by time deposits	**Note(b)**	**2.20**	**2015/1/27**	**408,203**			—
Bank borrowings-secured		**1.53**	**2014/9/17**	**154,747**			—
Bank borrowings-unsecured		**1.58-1.70**	**2014**	**155,021**			—
Current portion of long-term bank loans-pledged by inventories	**Note(c)**	**4.4**	**2014/10/31**	**366**			—
Current portion of long-term bank loans- unsecured		**4.15**	**2014/12/1**	**397**			—
				1,161,011			447,239
Non-current							
Bank borrowings-pledged by inventories	**Note(c)**	**2.5**	**2016/12/31**	**2,746**			—
Bank borrowings-unsecured		**2.25**	**2016/9/1**	**2,379**			—
				5,125			—
Total				**1,166,136**			447,239

Analysed into:	**As at 30 June 2014** ***(HK$'000)*** ***(Unaudited)***	As at 31 December 2013 *(HK$'000)* *(Audited)*
Bank loans and overdrafts repayable:		
within one year or on demand	**1,161,011**	447,239
in the second year	**—**	—
in the third to fifth years, inclusive	**5,125**	—
	1,166,136	447,239

Note (a): Short-term bank borrowings were obtained from third party financial institutions. As at 30 June 2014, a subsidiary of the Group pledged its trade receivables of approximately HK$619,534,000 (31 December 2013: HK$479,772,000) to secure certain of the Group's bank loans and these trade receivables were eliminated on group level.

Note (b): Short-term bank borrowings were pledged by a time deposit of approximately HK$119,678,000.

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

17. Share option scheme

The Company operates a share option scheme (the "Scheme") 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. 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.

The exercise price of share options is determinable by the Directors, but may not be less than the higher 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 six months ended 30 June 2014:

	Weighted average exercise price HK$ per share	**Number of options** *'000*
At 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, 1 January 2014	**2.120**	**22,555**
Forfeited during the period	**2.120**	**(16)**
Exercised during the period	**2.120**	**(89)**
At 30 June 2014	**2.120**	**22,450**

The weighted average share price at the date of exercise for share options exercised during the period was HK$4.05 per share (2013: HK$4.16 per share).

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

Number of options '000			
As at 30 June 2014	As at 31 December 2013	**Exercise price HK$ per share**	**Exercise period**
450	555	2.120	3 January 2013 to 2 January 2018
7,260	7,260	2.120	3 January 2015 to 2 January 2018
7,260	7,260	2.120	3 January 2016 to 2 January 2018
7,480	7,480	2.120	3 January 2017 to 2 January 2018
22,450	22,555		

The Group recognised a share option expense of HK$ 2,509,000 during the six months ended 30 June 2014 (six months ended 30 June 2013: HK$2,179,000).

The fair value of equity-settled share options granted was estimated as at the date of grant, using a binomial tree modal, 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 option (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.

The 89,000 share options exercised during the period resulted in the issue of 89,000 ordinary shares of the Company and new share capital of HK$890 and share premium of HK$187,790 (before issue expenses).

At the end of the reporting period, the Company had 22,450,000 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 22,450,000 additional ordinary shares of the Company and additional share capital of HK$224,500, and share premium of HK$47,369,500 (before issue expenses).

At the date of approval of these financial statements, the Company had 22,450,000 share options outstanding under the Scheme, which represented approximately 2.04% of the Company's shares in issue as at that date.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

In the first half of 2014, the Group recorded total revenue of HK$2,641.1 million, representing an increase of 27.2% as compared to HK$2,077.0 million recorded in the first half of 2013. Operating gross profit was HK$721.2 million, representing a growth of 50.1% as compared to that of HK$480.4 million in the first half of 2013. Profit was HK$89.3 million, representing a decrease of 8.7% as compared to the profit of HK$97.8 million in the first half of 2013. (However, excluding the effect of expenses relating to mergers and acquisitions, profit amounted to HK$114.1 million, representing an increase of 16.7% as compared to HK$97.8 million in the first half of 2013.)

For detailed analysis of the revenue and earnings of the Group, see the section headed "Financial Review" below.

Operations Review and Outlook

1. **The Group made substantial progress in the business model transformation and upgrade strategy.**

China Market

In the first half of 2014, on the foundation of "downward channel and grid management" in in-depth distribution management system, the Group continued to drive the transformation of the operation model from "push" to "pull", and the transition from the channel supply model to the brand retail model. This helped the Group achieve direct management and services to retail terminals and consumers, allowing the brands and products of the Group to better meet the needs of consumers, thereby increasing market demand.

(1) **Developed specialty stores for products of the Goodbaby Group**

In the first half of 2014, to implement the transformation of the marketing model and enhance influence of the Goodbaby brand and products, the Group selected strategic distributors and quality maternity and childcare specialty stores in third and fourth tier cities in China to establish specialty stores for products of the Goodbaby Group. The Group provided services such as training support, marketing support, after-sales support, logistics support, market order and operational management, exclusive product models and site planning. As of 30 June 2014, there were 168 Goodbaby Group specialty stores.

(2) **Implemented store level marketing**

In the first half of 2014, the Group conducted store level marketing activities within the in-depth distribution management system which covers 16,155 maternity and childcare specialty stores. A total of 299 sessions were held. Meanwhile, the Group conducted marketing activities directly facing end users by fully leveraging the opening activities of the Goodbaby Group specialty stores to enhance its brand recognition.

(3) **Established the county level service platform**

In the first half of 2014, the Group established the county level service platform with the establishment of a total of 92 regional marketing centres, 170 specialty store service outlets and 780 county-level authorized service outlets.

Overseas Markets

In the first half of 2014, the implementation of the proactive marketing strategy in overseas markets began to bear fruit. The Group achieved remarkable results under its "three-pronged" strategy (blue chip, direct distribution and mergers and acquisitions) in overseas markets.

(1) Blue chip strategy: In the first half of 2014, revenue of the Group from blue chip customers amounted to HK$1,182.2 million, representing an increase of 18.6% as compared to the corresponding period in 2013. Among them, revenue from the largest customer of the Group increased while revenue from new blue chip customers scaled up rapidly and reached HK$108.4 million.

(2) Direct distribution strategy: In the first half of 2014, the Group's direct distribution business grew rapidly. After the Group initiated direct sales in the European market in the second half of 2012, products under the Group's own brands, "Urbini" and "gb", were successively sold in major retailers in North America, such as Walmart and TOYSRUS, and quickly achieved decent sales momentum in the first half of 2014. In the first half of 2014, revenue from the direct distribution business amounted to HK$163.5 million, representing an increase of 243.8% when compared with the corresponding period in 2013.

(3) Merger and acquisition strategy: As a key component of its proactive marketing strategy, the Group achieved substantial progress mergers & acquisitions during the first half of 2014. In the end of January of 2014, the Group completed the acquisition of CYBEX, the world's leading high-end child car seat brand headquartered in Germany. In June 2014, the Group announced the acquisition of Evenflo, a leading durable juvenile products brand headquartered in the United States. Through the two acquisitions, the Group rapidly expanded and improved its self-owned brand portfolio. The acquisitions also helped the Group form localized channels and operating platforms in North America and Europe, equipped with world-class child car seat design capability and manufacturing technology as well as talented brand marketing and fashion design teams. As a result, the Group became a brand-new, one-stop vertically integrated enterprise with global presence and localized operations, operating under a brand-oriented approach is supported by world-class research and development, innovation and manufacturing capabilities. Since then, the Group has entered a phase of global strategic collaboration and integration led by a world-class and highly entrepreneurial professional team full of ambition and passion. For further details of the acquisitions, please also refer to the section headed "Significant Acquisition, Disposal or Investment" of this announcement.

2. **Continued to Unleash Research and Development and Technical Capabilities.**

In the first half of 2014, the Group accelerated its momentum in the research and development of new products and launched a total of 283 products of which 62 were new products and 221 were modified products. On 30 June 2014, there were 546 new product projects under the research and development stage, of which 395 were new product projects and 151 were modified products. The rapid development of blue chip customers and the Group's own brands in North America and Europe propelled the launch of new products overseas.

In the first half of 2014, the resources of the Group were efficiently integrated with that of CYBEX's. The China's research and development team was responsible for structural engineering, while the CYBEX and the Dutch design teams were responsible for exterior appearance design. Within a short period of 5 months, the Group developed 6 "CYBEX Gold" stroller programs for CYBEX's "Gold Series", and developed 1, premium, iconic and highly innovative stroller platform the "CYBEX Platimum", for CYBEX's "Platinum Series". Moreover, the Group also carried out 4 "CYBEX Gold" and 2 "CYBEX Platinum" premium and highly innovative car seat programs for the development of CYBEX's car safety seat and 5 other stroller models under the "CBX" brand. This shows the resources of the Group and CYBEX are highly synergetic, and is reflective of the value of the Group's diversified new products reserve and its responsiveness.

In the first half of 2014, the Group added another "Red Dot Design Award" to its collection. The own-brand stroller EPOC and car safety seat Origin developed by the Group both won the "Red Dot Design Award". CYBEX was also awarded the "Red Dot Design Award" in the same year with its Aton-Q car safety seat and Solution Q-fix car safety seat products. Prior to winning such award, EPOC was also awarded the IF Product Design Award from the International Forum Design Hannover. In the first half of 2014, the Pocket stroller was successfully developed. The stroller can be folded to 1:17.4 of its original size, setting an industry record.

In the first half of 2014, the Group once again achieved multiple technological upgrades and breakthroughs.

1) New material development: The Group succeeded in implementing the carbon fibre project, and applying the material to strollers through utilizing technology in special non-standard carbon fibre tubes and improving the design of the moulds. In addition, the Group successfully implemented the all-plastic stroller project, through the research and development of new materials and gas-assisted technology. By using all-plastic accessories and lighter and thinner components, product weight was further reduced.

2) New technology application: The Group established the CAE technical service department in the research and development system to enhance the simulation and testing of car safety seats during the design stage.

In the first half of 2014, the Group led or participated in 3 new PRC product standards, and participated in 18 new US product standards. As of 30 June 2014, the Group has led or participated in the compilation or revision for an accumulated total of 64 PRC national standards; participated in the voting for an accumulated total of 102 US standards; participated in the revision of 1 European standard; and participated in the formulation of 1 Japanese national standard.

3. **Product Supply Chain**

In the first half of 2014, the Group continued to consolidate manufacturing resources in China, developed strategic outsourcing and achieved the large-scale manufacturing at the supply chain base in Pingxiang, Hebei. Meanwhile, the Group established supply chain bases in Hubei, Anhui and North Jiangsu to meet the increasing production capacity demand.

In the second half of 2014, as the Group gradually implements its development strategy, the Group will face new opportunities and challenges. The Group will focus on:

(1) Continue to promote the transformation of the marketing model in the China market through channel and management penetration, and service and marketing toward retail level. The Group will reinforce direct interaction between the Group's brands and products and consumers to achieve consumer-oriented and sustainable growth;

(2) Step up proactive marketing by adhering to the "three-pronged" strategy in the international market. Strengthen and develop the blue chip business continuously, actively develop direct sales and its own brand business.

(3) Generate synergies between the three companies, Goodbaby, CYBEX and Evenflo, and draw upon their advantageous resources to create a brand-new one-stop vertically integrated enterprise.

(4) Continue to build a market-oriented supply chain system with global competitiveness, and to develop the Group's supply chain equipped with the comprehensive strengths of "leading innovation, top quality, advanced technology, cost leadership and responsiveness".

Financial Review

Revenue

Total revenue of the Group for the six months ended 30 June 2014 was HK$2,641.1 million, representing an increase of 27.2% as compared to HK$2,077.0 million for the six months ended 30 June 2013. Organic growth was 12.1%, while the growth contributed by the acquisition of Columbus Holdings GmbH and its subsidiaries (hereinafter referred to as "Columbus") was 15.1%. In the first half of 2014, revenue from the Group's own brands was HK$1,458.9 million, accounting for 55.2%. Revenue from products sold to blue chip customers was HK$1,182.2 million, accounting for 44.8%.

Revenue by Geographical Region

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

	For the six months ended 30 June				Growth analysis by comparing 2014 with 2013
	2014		2013		2013
	Sales *(HK$ million)*	% of Sales	Sales *(HK$ million)*	% of Sales	Growth
European Market	966.3	36.6%	446.7	21.5%	116.3%
North America	575.3	21.8%	501.2	24.1%	14.8%
China	838.4	31.7%	793.7	38.2%	5.6%
Other Overseas Markets	261.1	9.9%	335.4	16.2%	-22.2%
Total	2,641.1	100.0%	2,077.0	100.0%	27.2%

Revenue from the European Market increased by 116.3% to HK$966.3 million for the six months ended 30 June 2014 from HK$446.7 million for the six months ended 30 June 2013. The increase was attributable to the revenue contributed by Columbus acquired by the Group and the significant increase in sales to blue chip customers.

Revenue from North America increased by 14.8% to HK$575.3 million for the six months ended 30 June 2014 from HK$501.2 million for the six months ended 30 June 2013. The increase was attributable to the Group's efforts to develop the direct sales business.

Revenue from China increased by 5.6% to HK$838.4 million for the six months ended 30 June 2014 from HK$793.7 million for the six months ended 30 June 2013. The growth of the Chinese market was attributable to the growth of revenue from products under the Goodbaby brand, which was partially offset by the decrease in revenue from products under the "Happy Dino" brand.

Revenue from Other Overseas Markets decreased by 22.2% to HK$261.1 million for the six months ended 30 June 2014 from HK$335.4 million for the six months ended 30 June 2013. The decrease in Other Overseas Markets was mainly attributable to a decline in revenue from the Russian market and South East Asian markets.

Revenue by Products

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

	For the six months ended 30 June				Growth analysis by comparing 2014 with 2013
	2014		2013		
	Sales *(HK$ million)*	% of Sales	Sales *(HK$ million)*	% of Sales	Growth
Strollers and accessories	1,181.9	44.8%	944.6	45.5%	25.1%
Car seats and accessories	579.3	21.9%	264.4	12.7%	119.1%
Other durable juvenile products	879.9	33.3%	868.0	41.8%	1.4%
Total	2,641.1	100.0%	2,077.0	100.0%	27.2%

Revenue from strollers and accessories increased by 25.1% to HK$1,181.9 million for the six months ended 30 June 2014 from HK$944.6 million for the six months ended 30 June 2013. The increase was attributable to an increase in revenue from the European, North American and Chinese Markets, which was partially offset by the decrease in revenue from Other Overseas Markets.

Revenue from car seats and accessories increased by 119.1% to HK$579.3 million for the six months ended 30 June 2014 from HK$264.4 million for the six months ended 30 June 2013. Organic growth was 5.5%, while the acquisition of Columbus contributed growth of 113.6%.

Revenue from other durable juvenile products increased by 1.4% to HK$879.9 million for the six months ended 30 June 2014 from HK$868.0 million for the six months ended 30 June 2013. The increase was attributable to an increase in revenue from ride-ons, which was partially offset by the decrease in revenue from other product categories.

Cost of Sales, Gross Profit and Gross Profit Margin

The cost of sales increased by 20.3% to HK$1,919.9 million for the six months ended 30 June 2014 from HK$1,596.6 million for the six months ended 30 June 2013. The increase was primarily due to the increased sales driven by a higher demand for the products of the Group, resulting in an increase in the costs.

As a result of the aforementioned reasons, gross profit increased by 50.1% from HK$480.4 million for the six months ended 30 June 2013 to HK$721.2 million for the corresponding period in 2014. The growth of gross profit was attributable to an increase in gross profit from the European, North American and Chinese market, which was partially offset by a decrease in gross profit from Other Overseas Markets. As a result, the gross profit margin increased from 23.1% for the six months ended 30 June 2013 to 27.3% for the corresponding period in 2014.

Other Income

Other income increased by HK$26.6 million to HK$45.6 million for the six months ended 30 June 2014 from HK$19.0 million for the six months ended 30 June 2013, which was mainly attributable to an increase in government subsidies and compensation income.

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 53.3% to HK$328.3 million for the six months ended 30 June 2014 from HK$214.1 million for the six months ended 30 June 2013. The increase in selling and distribution costs was primarily due to sales expenses incurred by the acquired businesses and an increase in staff expenses as a result of the promotion of the active marketing strategy in the international market.

Administrative Expenses

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

The administrative expenses increased from HK$170.9 million for the six months ended 30 June 2013 to HK$309.5 million for the six months ended 30 June 2014. The increase in administrative expenses was primarily attributable to administrative expenses incurred by the acquired businesses, expenses relating to the acquisitions and an increase in research and development expenses and staff expenses.

Other Expenses

Other expenses increased to HK$7.6 million for the six months ended 30 June 2014 from HK$6.9 million for the six months ended 30 June 2013. The increase in other expenses was mainly due to an increase in other incidental expenses.

Operating Profit

As a result of the foregoing, the operating profit increased by 13% to HK$121.5 million for the six months ended 30 June 2014 from HK$107.5 million for the six months ended 30 June 2013.

Finance Income

The finance income increased from HK$4.0 million for the six months ended 30 June 2013 to HK$4.7 million for the six months ended 30 June 2014, and solely consisted of interest income from bank deposits.

Finance Costs

The finance costs increased from HK$2.4 million for the six months ended 30 June 2013 to HK$11.3 million for the six months ended 30 June 2014. The increase was mainly attributable to an increase in loans, mainly used for the acquisition of Columbus and complementing the shortfall in the Group's liquidity arising from an increase in the amount of the Group's term deposits.

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) increased by 5.3% from HK$109.1 million for the six months ended 30 June 2013 to HK$114.9 million for the six months ended 30 June 2014.

Income Tax Expenses

The income tax expenses were HK$25.6 million for the six months ended 30 June 2014, whereas income tax expenses were HK$11.3 million for the six months ended

30 June 2013. The effective tax rate for the six months ended 30 June 2014 was 22.3%, and the effective tax rate was 10.4% for the six months ended 30 June 2013. The increase in the effective tax rate was mainly attributable to the expenses relating to the acquisition withheld by the Group not used to deduct taxable income and the higher effective rate of Columbus.

Profit for the Period

For the six months ended 30 June 2014, profit for the period was HK$89.3 million, and profit for the six months ended 30 June 2013 was HK$97.8 million.

Working Capital and Financial Resources

	As at 30 June 2014 *(HK$ million)*	**As at 31 December 2013** *(HK$ million)*
Trade and notes receivables (including trade receivables due from related parties)	1,088.6	974.2
Trade and notes payables	778.2	714.4
Inventories	1,020.8	798.0
Trade and notes receivables turnover days(1)	73	81
Trade and notes payables turnover days(2)	72	85
Inventories turnover days(3)	89	80

Notes:

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

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

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

The balance of trade and notes receivables increased by HK$114.4 million from HK$974.2 million as at 31 December 2013 to HK$1,088.6 million as at 30 June 2014. The increase was mainly attributable to the balance of trade and notes receivables brought by the business acquired by the Group.

The balance of trade and notes payables increased by HK$63.8 million from HK$714.4 million as at 31 December 2013 to HK$778.2 million as at 30 June 2014. The increase was mainly attributable to the balance of trade and notes payables brought by the business acquired by the Group.

The balance of inventories increased by HK$222.8 million from HK$798.0 million as at 31 December 2013 to HK$1,020.8 million as at 30 June 2014. The increase was mainly due to the balance of inventories brought by the business acquired by the Group and the necessary provision for inventories 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, 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 30 June 2014, the Group's cash and cash equivalents were HK$704.3 million (as at 31 December 2013: HK$608.3 million).

As at 30 June 2014, the Group's time deposits were HK$167.5 million (as at 31 December 2013: Nil).

As at 30 June 2014, the Group's interest-bearing bank borrowings were HK$1,166.1 million (as at 31 December 2013: HK$447.2 million). Bank borrowings as at 30 June 2014 and those in corresponding period were charged at variable interest rate.

Contingent Liabilities

As at 30 June 2014, the Group had no material contingent liabilities.

Exchange Rate Fluctuations

The Group's revenue is mainly denominated in U.S. dollars, Renminbi and Euro. The Group's cost of sales is mainly denominated in Renminbi and U.S. dollars, and the operating expenses of the Group are primarily denominated in Renminbi and Euro. For the six months ended 30 June 2014, 59.6% of the Group's revenue was denominated in U.S. dollars; 31.7% of the Group's revenue was denominated in Renminbi; 8.0% of the Group's revenue was denominated in Euro. 92.1% of the cost of sales of the Group was denominated in Renminbi; 7.9% was denominated in U.S. dollars. 72.6% of the Group's operating expenses was denominated in Renminbi;

20.6% of the Group's operating expenses was denominated in Euro. The Group's gross profit margin will be adversely affected if Renminbi appreciates against the U.S. dollar and the Company is unable to increase the U.S. dollar selling prices of the products it sold to the overseas customers. The Group will be adversely affected if Euro depreciates against the U.S. dollar and the Company are unable to constrain the purchase price denominated in U.S. dollars of its purchased products. Euro depreciated by 1.2% against the U.S. dollars, and Renminbi depreciated by 0.9% against the U.S. dollar during the six months ended 30 June 2014.

Pledge of Assets

As at 30 June 2014, some of the Group's interest bearing bank borrowings were secured by intra-group trade receivables of HK$619.5 million (as at 31 December 2013: HK$479.8 million) and inventory of HK$84.6 million (as at 31 December 2013: nil), and such trade receivables were eliminated by offsetting in the consolidated financial statements of the Group.

Gearing Ratio

As at 30 June 2014, the Group's gearing ratio (calculated by net liabilities divided by the sum of equity attributable to owners of the parent and net liabilities; the amount of net liabilities was calculated by the sum of trade and notes payables, other payables, advances from customers and accruals, interest-bearing loans and borrowings (current and non-current), dividends payable and amounts due to related parties, minus cash and cash equivalents) was 40.2% (as at 31 December 2013: 28.5%).

Employees and Remuneration Policy

As at 30 June 2014, the Group had a total number of 12,829 full-time employees (as at 30 June 2013, the Group had a total number of 12,640 full-time employees). For the six months ended 30 June 2014, costs of employees, excluding directors' emoluments, amounted to a total of HK$472.3 million (for the six months ended 30 June 2013, costs of employees, excluding directors' emoluments, amounted to a total of HK$363.5 million). The Group determined the remuneration packages of all employees with reference to individual performance and current market salary scale. The Group provides its employees in the PRC, Germany and other countries with welfare schemes as required by the applicable local laws and regulations.

Significant Acquisition, Disposal or Investment

As at 30 June 2014, the Group had no specific material investment target. Other than the acquisitions described below, the Group did not have any material acquisition and disposals of subsidiaries and associated companies, and investment during the period under review.

On 27 January 2014, Goodbaby (Hong Kong) Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with the shareholders of Columbus Holding GmbH pursuant to which Goodbaby (Hong Kong) Limited acquired the entire issued share capital of Columbus Holding GmbH, a company incorporated in Germany, at a consideration of EUR70,711,539 (equivalent to HK$751,069,681), settled in cash as to the amount of EUR38,513,000 (equivalent to HK$409,069,681) and by the issue of 100,000,000 new Shares of HK$0.01 each in the capital of the Company to the Sellers as to the amount of EUR32,198,539 (equivalent to HK$342,000,000). Columbus Holding GmbH is a branded juvenile Company headquartered in Germany primarily engaged in the design and sale of juvenile products with branches in Austria, the United Kingdom, France, Italy, the Netherlands and the PRC. Key products of Columbus Holding GmbH include car seats, baby carriers and strollers, and the "CYBEX" brand of car seats is an established brand in Europe.

Columbus Holding GmbH became a wholly-owned subsidiary of the Company upon completion of the transaction on 30 January 2014. For further details of such acquisition, please refer to the announcement of the Company dated 28 January 2014.

On 6 June 2014, the Company and Serena Merger Co., Inc., a wholly-owned subsidiary of the Company, entered into an agreement with WP Evenflo Group Holdings, Inc., its holders and WP Administration, LLC, as representative of these holders, pursuant to which the Company will acquire WP Evenflo Group Holdings, Inc. pursuant to a merger transaction where the Serena Merger Co., Inc. will be merged with the WP Evenflo Group Holdings, Inc., with it surviving the merger in accordance with Delaware Law. The merger consideration payable by the Company for the acquisition was US$143,041,667 (equivalent to HK$1,109.1 million), subject to adjustment. Evenflo is based in Ohio, the U.S. and manufactures infant and juvenile products under the brands of "Evenflo", "ExerSaucer" and "Snugli". The core products of Evenflo include a line of car seats, stationary activity centers and safety gates. Evenflo also produces strollers, high chairs, play yards, doorway jumpers and carriers.

As at 30 June 2014, the acquisition of Evenflo had not been completed. The acquisition was completed on 23 July 2014 and Evenflo became a wholly-owned subsidiary of the Company. For further details of such acquisition, please refer to the announcement of the Company dated 6 June 2014.

OTHER INFORMATION

Purchase, Sales or Redemption of Shares

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Dividends

The Board does not recommend payment of any dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

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 HK$894.3 million. Reference is made to the updates on the use of proceeds in the Company's 2011, 2012 and 2013 annual reports. As at 30 June 2014, the Company has used HK$862.6 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 30 June 2014:

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	268.3	0.0
Research and development and commercialization of products, including new children's car safety seat products and other new products	20%	178.8	147.1	31.7
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	862.6	31.7

The balance of the unutilized proceeds of HK$31.7 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.

Code on Corporate Governance

The Company has applied the principles of the Code Provisions under the Corporate Governance Code in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the six months ended 30 June 2014, save for the deviation from Code Provisions A.2.1 which is explained as follows:-

Code Provision A.2.1: The roles of chairman and chief executive officer ("**CEO**") should be separated 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. There are also three independent non-executive Directors on the Board offering strong, independent and differing perspectives. The Board is therefore of the view that there are adequate balance-of-power and safeguards in place.

Model Code for Securities Transactions by Directors

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 as the code for the dealings in securities transactions by the Directors. Having made specific enquiries with all Directors of the Company, they have confirmed that they complied with the required standard of dealings set out in the Model Code throughout the six months ended 30 June 2014.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors. The Audit Committee has reviewed with the Company's management, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2014.

Publication of Interim Report

This interim results announcement is published on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.gbinternational.com.hk). The interim report of the Company for the six months ended 30 June 2014 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available for review on the same websites in due course.

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

Hong Kong, 22 August 2014

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