Goodbaby International

Goodbaby International Holdings Limited
Stock Code 1086

2014 Annual Report

Goodbaby International

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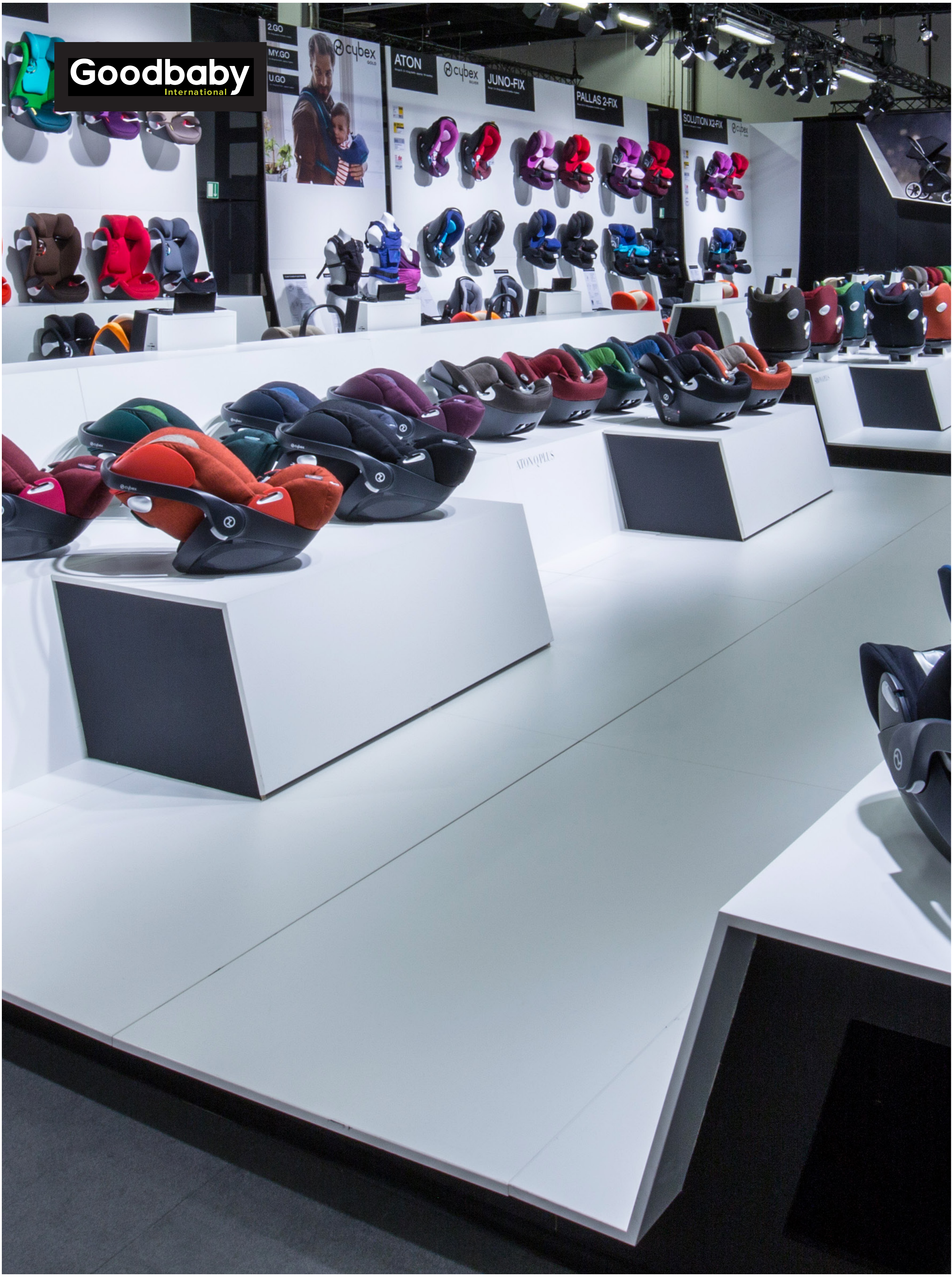
Goodbaby
International
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cybex
ATON
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JUNO-FIX
PALLAS 2-FIX
SOLUTION X2-FIX


cybex
for all tomorrow's people
cybex


Goodbaby
International
cybex

Corporate Information

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Song Zhenghuan
(Chairman & Chief Executive Officer)
Mr. Wang Haiye
(Vice President)
Mr. Martin Pos
(Deputy Chief Executive Officer)
Mr. Michael Nan Qu

Non-Executive Director

Mr. Ho Kwok Yin, Eric

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

AUDITORS

Ernst & Young
Certified Public Accountants
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
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

CORPORATE INFORMATION

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEAD OFFICE

28 East Lufeng Road, Lujia Town, Kunshan City
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. Ho Siu Pik

AUTHORIZED REPRESENTATIVES

Mr. Song Zhenghuan
Ms. Ho Siu Pik

PRINCIPAL BANKER

Bank of China, Kunshan Branch

WEBSITE

www.gbinternational.com.hk

STOCK CODE

1086


Goodbaby
International

Chairman's Statement

Goodbaby International

Mr Song Zhenghuan
Chairman

CHAIRMAN'S STATEMENT

Dear Shareholders,

Thank you for your constant support over the years. With your help our Group has enhanced its core capabilities evolving into a dynamic, high powered global company with huge potential. In 2014 we completed our transformation and upgrade from an Original Product Manufacturer (OPM) driven business to a Brand driven business and we now have a world leading position in the juvenile industry.

With our successful merger and acquisition of two of the world's leading juvenile Brands, Cybex a desirable and authentic lifestyle and safety Brand for parents, based in Germany, and Evenflo, a household name in the USA, the Group has delivered five critical breakthroughs in the world marketplace.

Firstly, we have become a world-leading brand-driven business in the juvenile industry. Secondly, through our core capabilities, the Company has become a world leading enterprise in the durable juvenile products industry, in both strollers and car seats, the two most important product categories in the market. Thirdly, we now have localised operations across the Americas, Europe and China developing synergies and efficiencies within the Group functions. Fourthly, we have developed a 'One-Dragon, Vertically Integrated Business Model' incorporation of five business silos; Group Technical Services, Group Supply Chain, Group Brands & Product Design, Group International Distribution and Group Strategies & Services, working within a matrix operational management organization. Fifthly, we continued to develop and grow our Blue-chip customer business through delivering industry leading customer service utilizing our strong Research and Development experience and production capacities.

During 2014, we made further improvements in our Research and Development capabilities. We registered 643 patents, won five prizes in the global renowned Red Dot Design Awards, and one prize in the iF Design Awards. We are especially proud to have designed and now are manufacturing the world's 'smallest commercially available folded pram', the Pockit, and had this recognized by the Guinness World Records.

Globally, we have launched many new products. In the last year, our strategic Brands Cybex, gb and Evenflo have continued to innovate and have launched new products which have been well received by our retail customers and their consumers. The Cybex Priam stroller, the gb Evoq stroller and the Evenflo Symphony car seat have delivered outstanding performance. The new Urbini Brand has exceeded our expectations in North America.

In the Chinese market, we launched the 'BOOM' strategy (B = Brand, O = online, O = offline and M = mobile terminal), which targets to build up a brand-oriented operation with both on-line and off-line drivers and two-way interaction between Brands and consumers enabled by the mobile internet technology, to establish an 'fans' ecosphere system.

We have upgraded our business to a 'One-Dragon, Vertically Integrated Business Model', with a new management structure, now in place. We have communicated our corporate vision and Company values creating an atmosphere of passion and determination amongst all our colleagues. Overall the momentum in 2014 was very pleasing. As we look forward to 2015, all my colleagues and I will work tireless to continue the implementation of the 'One-Dragon' business model globally, creating higher values for our shareholders, colleagues and customers.

We look forward to your continuous strong support.

Thank you for your trust.

Yours sincerely,
Song Zhenghuan
Chairman

30 March 2015


Goodbaby
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cybex
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Management Discussion & Analysis

MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW

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

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

CHINA MARKET — BOOM STRATEGY IMPLEMENTED TOGETHER WITH CONTINUING EXECUTION OF 'PULL' MARKETING STRATEGY

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

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

BOOM strategy

In order to adapt to the commercial revolution driven by E-commerce in China and to take advantage of the opportunities generated from this evolving market, we formed and launched a BOOM strategy in 2014 in China. 'B' stands for brand and the two 'O''s refer to online and offline, respectively. 'M' means mobile terminal. Under this strategy, we will apply our brand-driven business model, enhancing our leading positions both online and offline. To maximise the rapid development of mobile internet, we will adapt ourselves to connect and interact with end consumers directly through social media using mobile phones and tablets, building an 'ecosystem' of fans for our brands.

Retail expansion in China

We continue to execute our 'pull' marketing strategy in China market to set up a retail driven distribution system. We have been working with distributors to develop a chain of specialty stores titled 'gb e-Family好孩子e家' with a brand new professional layout of our products that provides more professional services to our consumers. We increased our Brand awareness through introduction of gb e-Family stores which were the first kind of brand exclusive stores in our industry in Tier 3 to 5 cities which historically lacked such stores. They also enhanced the synergy between online and offline channels where offline stores provide to online customers services including installation and repair. We worked with our distributors to open 350 gb e Family stores in 2014 and revenue from these stores amounted to approximately HK$109.9 million. We are planning another 100 in 2015.

We also introduced a 'Tripartite agreement' between the distributor, retailer and us. We previously only signed two party contracts between the distributor and us. The new agreement and arrangement provide us with enhanced influence over retailers including setting retail sales targets and also increased our share of shelf space. In 2014, more than 1,789 'Tripartite agreements' were signed which contributed approximately HK$203.2 million of revenue and we expect the total number of Tripartite agreements to increase significantly in 2015 to 5,000. Furthermore, we took the initiatives to work with distributors together in organising small regional trade fairs to penetrate further into the maternity retail stores in Tier 3 and 4 cities. This complements our existing large provincial trade fairs organised by us which are more focused on the maternity retail stores in Tier 1 and 2 cities. In 2014, we held 511 small regional trade fairs which contributed approximately HK$147.7 million to total revenue.

E-commerce

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

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

OVERSEAS MARKETS: THREE-PRONGED APPROACH ACHIEVED SOLID SUCCESS

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

Blue-chip business/OPM

In 2014, we developed new customers and enhanced our cooperation with existing blue-chip customers. While experiencing decline in orders from our largest customer as a result of its acquisition of a manufacturer, our revenue from blue-chip customers amounts to approximately HK$2,477.9 million in 2014, representing an approximately 15.2% increase. Revenue from our largest customer decreased by approximately 11.3%, but was offset by growth of approximately 55.1% from other blue-chip customers representing revenue of approximately HK$1,328.8 million. Following industry events including our merger and acquisition initiatives, the global supply chain of the juvenile product industry commenced major restructuring. This provides us with opportunities as well as challenges. As the world's largest juvenile products manufacturer, we are committed to deliver excellent service to our blue-chip customers. Our Chairman and CEO Mr. Song Zhenghuan, with support from executive director Mr. Michael Nan Qu, will continue to directly manage relationships with these customers. There are further customer development opportunities in this sector arising from the industry supply chain restructuring.

Direct to Retailer Business

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

Acquisitions

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

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

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

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

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

BUSINESS MODEL UPGRADE

Overseas market

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

MANAGEMENT DISCUSSION & ANALYSIS

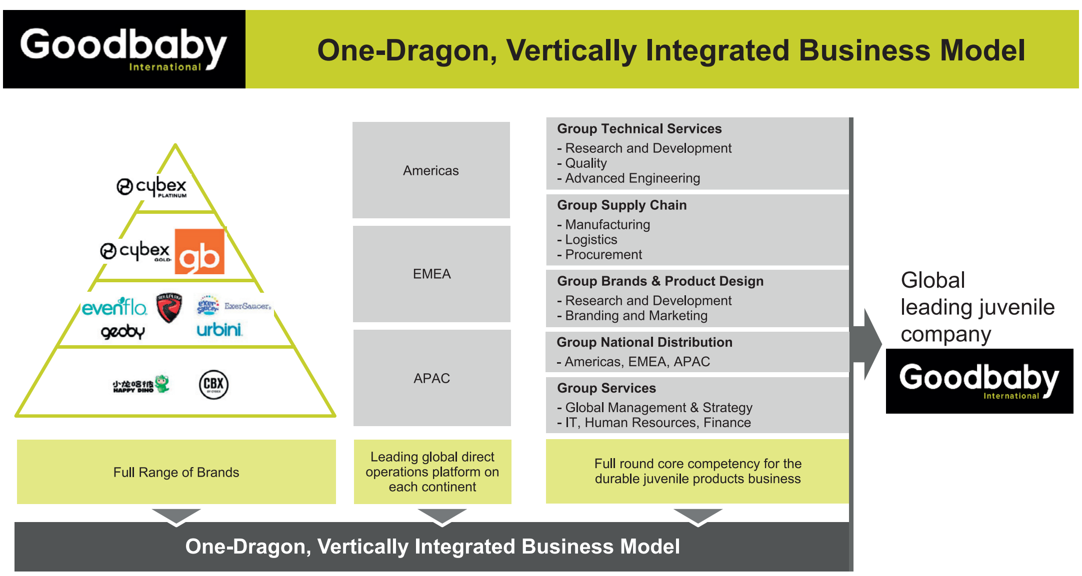
Own Brand 'One Dragon' Vertically Integrated Business Model

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

Through the acquisitions, our manufacturing capacity has increased and geographical coverage has widened. In addition to our existing manufacturing facilities in China, we now have state-of-art manufacturing facilities in North America and Mexico.

Product research and development capabilities have also been improved and enhanced and now we have 9 research and development centres and 450 research and development staff worldwide. The product testing laboratory in the US complements our Kunshan testing laboratory. Our research and development capabilities allow us to respond to the market more accurately, rapidly, and to provide high quality products that are in line with market demands.

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



ORGANISATIONAL RESTRUCTURE FOR GROWTH

Our new organisational structures:

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

We have made good progress in adopting the new structure. We appointed Mr. Martin Pos as Deputy CEO and Mr. Song Zhenghuan retains as Chairman and CEO, and is now responsible for the Group's overall strategic direction and direct management of all blue-chip customers, with the support of senior management. Mr. Michael Nan Qu (executive Director) changed his role to focus on blue-chip customers and to lead the Americas' market.

Mr. Vincent Wang is now in charge of Group technical services. We also appointed Mr. Tim Maule as Chief Commercial Officer (CCO), Mr. Erich Fuchs as Chief Supply Chain Officer (CSO) and Ms. Simone Berger as Senior Vice President (SVP) Group Human Resources. Mr. Gregory Mansker has been appointed as Chairman and CEO of the Americas' market and CEO of Evenflo. Mr. Franki Tse is now CEO of China Production and CEO of Blue-chip Customers. Evenflo has been restructured to take advantage of group synergies, moving all production within the Group Supply Chain function.

OUTLOOK

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

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

Revenue

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

Revenue by Geographical Region

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

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

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

Revenue by Products

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

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

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

Cost of Sales, Gross Profit and Gross Profit Margin

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

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

MANAGEMENT DISCUSSION & ANALYSIS

Other Income

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

Selling and Distribution Costs

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

Administrative Expenses

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

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

Other Expenses

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

Operating Profit

The operating profit decreased by 24.3%, or HK$46.4 million, from approximately HK$191.2 million for the year ended 31 December 2013 to approximately HK$144.8 million for the year ended 31 December 2014. In particular, the profit decreased by approximately HK$ 86.8 million due to the expenses and costs incurred by acquisition, including the direct expenses incurred by acquisition and the increase in costs and expenses as a results of the amortization of the newly acquired assets during acquisition.

Finance Income

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

Finance Costs

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

Profit before Tax

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

Income Tax Expenses

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

Profit for the Period

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

Working Capital and Financial Resources

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

Notes:

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

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

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

MANAGEMENT DISCUSSION & ANALYSIS

The balance of trade and notes receivables increased by HK$386.1 million from approximately HK$974.2 million as at 31 December 2013 to approximately HK$1,360.3 million as at 31 December 2014. The increase was attributable to the increase of approximately HK$119.9 million brought by the existing businesses of the Group and the balance of trade and notes receivables of approximately HK$266.2 million brought by the businesses acquired by the Group. The balance of trade and notes payables increased by HK$416.9 million from approximately HK$714.4 million as at 31 December 2013 to approximately HK$1,131.3 million as at 31 December 2014. The increase was attributable to the increase of approximately HK$166.1 million brought by the existing businesses of the Group and the balance of approximately HK$250.8 million brought by the businesses acquired by the Group. The balance of inventories increased by HK$737.3 million from approximately HK$798.0 million as at 31 December 2013 to approximately HK$1,535.3 million as at 31 December 2014. The increase was attributable to the increase of approximately HK$312.1 million brought by the existing businesses of the Group and the balance of approximately HK$425.2 million brought by the businesses acquired by the Group.

Liquidity and Financial Resources

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

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

Contingent Liabilities

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

Exchange Rate Fluctuations

The Group's sales is mainly denominated in U.S. dollars, Renminbi and Euro. The Group's procurement is mainly denominated in Renminbi and U.S. dollars, and the operating expenses of the Group are primarily paid in U.S. dollars, Renminbi and Euro. For the year ended 31 December 2014, approximately 67.1% of the Group's revenue was denominated in U.S. dollars, approximately 24.0% was denominated in Renminbi and approximately 7.4% was denominated in Euro. Approximately 73.3% of the cost of sales of the Group was denominated in Renminbi and approximately 24.7% was denominated in U.S. dollars. Approximately 69.0% of the Group's operating expenses was denominated in Renminbi; approximately 21.4% was denominated in Euro and approximately 9.6% was denominated in U.S. dollars. Our gross profit margin will be adversely affected if the U.S. dollar depreciates against Renminbi and we are unable to increase the U.S. dollar selling prices of the products or unable to reduce the procurement prices, or if Euro depreciates against the U.S. dollar and we are unable to increase the Euro selling prices of the products or unable to reduce the procurement prices. The US Dollar depreciated by approximately 0.7% against the Renminbi, and Euro depreciated by approximately 0.7% against U.S. dollar during the year ended 31 December 2014.

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

Pledge of Assets

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

Gearing Ratio

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

Directors & Senior Management


cybex
cybex
cybex

DIRECTORS & SENIOR MANAGEMENT

DIRECTORS

Executive Directors

SONG Zhenghuan (宋鄭還), aged 66, is chairman, executive director and chief executive officer. With more than 25 years of experience in the juvenile products industry, Mr. Song is the founder and primarily responsible for our group's overall strategic direction and the 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 the 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. Between 1989 and 1993, Mr. Song was also in charge of a factory run by Lujia Middle School, the predecessor of Goodbaby Group Co., Ltd., which is a major founding shareholder of our Group. In 1989, Mr. Song invented the first "push and rock" stroller and subsequently founded our Group to engage in the design, manufacture and marketing of strollers under the 好孩子 Goodbaby brand in China. 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. In 2013, Mr. Song was selected as winner of Walter L. Hurd Executive Medal 2013 by the Walter L. Hurd Foundation and the Asia Pacific Quality Organization.

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) Cybex (China) Child Products Co., Ltd. (昆山賽栢克斯兒童用品有限公司);

(vi) Goodbaby Child Products Hanchuan Co., Ltd. (好孩子兒童用品漢川有限公司);

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

(viii) Goodbaby (Hong Kong) Limited;

(ix) Goodbaby Japan Co., Ltd.;

(x) Turn Key Design B.V.;

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

(xii) Magellan Holding GmbH;

(xiii) Goodbaby US Holdings, Inc.;

(xiv) Serena Merger Co., Inc.;

(xv) WP Evenflo Holdings, Inc.;

(xvi) Evenflo Company, Inc.;

(xvii) Lisco Feeding, Inc.;

(xviii) Lisco Furniture, Inc.;

(xix) Goodbaby (Europe) Group Limited;

(xx) Evenflo Hong Kong Limited; and

(xxi) Pacquita Limited.

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 49, was appointed as executive director of our company in 19 August 2010. Since December 2014, Mr. Wang has been responsible for our technology services, quality control, and research and development to drive innovation across customers and brands. Mr. Wang is a veteran in the industry, with over 22 years of experience in developing and manufacturing juvenile products. He joined our group in 1992, initially as manager for the operations management department. He was responsible for establishing and improving the operations management system and then was appointed as vice president in 1999. During this time he was responsible for overseeing our group's manufacturing operations, including production, purchasing, quality control and outsourcing. During the period of March 2011 to August 2012, Mr. Wang was our chief operating officer. With effect from 12 December 2014, Mr. Wang will be responsible for the Group's technology services, quality control, and research and development to drive innovation across the Group's customers and brands. 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 companies in our Group:

(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 Child Products Hanchuan Co., Ltd. (好孩子兒童用品漢川有限公司);

(vii) Goodbaby (Hong Kong) Limited;

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

(ix) Goodbaby Japan Co., Ltd.; and

(x) Turn Key Design B.V..

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 45, is our executive director and deputy chief executive officer. Mr. Pos is the founder of the world's leading high-end child car seat brand CYBEX. Following the merger of CYBEX in early 2014, Mr. Pos was appointed as executive director of our company in 18 March 2014 primarily responsible for the management of portfolio of global brands for our company. He is an entrepreneur with over 20 years of industry experience including the development and management of premium lifestyle brands, most notably the global distribution, design and development of premium baby products. In December 2014, Martin was appointed as deputy chief executive officer. In this role he continues to implement his expertise in branding and marketing, and is directly responsible for our group's functions in technical services, supply chain, brand portfolio management, global sales, as well as the human resources and information technology.

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

* *For identification purpose only*

DIRECTORS & SENIOR MANAGEMENT

(i) Columbus Holding GmbH;

(ii) Cybex Industrial Limited;

(iii) Cybex GmbH;

(iv) Magellan Holding GmbH; and

(v) Goodbaby (Europe) Management GmbH.

Michael Nan QU (曲南), aged 47, was appointed as executive director of our company since 18 March 2014. Since December 2014, Mr. Qu has been responsible for our Blue Chip customers worldwide, working in a leadership role for the American market. Prior to this, Mr. Qu was our company's vice president, primarily responsible for managing key overseas accounts and strategic overseas resources. Mr. Qu joined us in 1994 and he is one of the founding members of the overseas business of our group. Mr. Qu studied economics in the Economics School of Peking University from 1986 to 1989. He then went to the United States to study business administration at George Mason University from 1989 to 1992.

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

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

(ii) Goodbaby (Hong Kong) Limited;

(iii) Goodbaby US Holdings, Inc.;

(iv) Serena Merger Co., Inc.;

(v) WP Evenflo Holdings, Inc.;

(vi) Evenflo Company, Inc.;

(vii) Evenflo Asia, Inc.;

(viii) Lisco Feeding, Inc.;

(ix) Lisco Furniture, Inc.;

(x) Columbus Trading – Partners USA Inc.;

(xi) Evenflo Canada Inc.; and

(xii) Evenflo Hong Kong Limited.

Mr. Qu is also an executive vice president of Goodbaby Children's Products, Inc. (formerly known as Aria Child, Inc.)

Non-Executive Director

HO Kwok Yin, Eric (何國賢), aged 58, was appointed as a non-executive Director of our Company on 1 February 2013. 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 that as an associate for other major law firms in Hong Kong 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 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 74, was appointed as our 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 for KPMG Asia Pacific from 1993 to 1997. He has been a member of the Institute of Chartered Accountants of Scotland since 1964 and is a fellow of the Hong Kong Institute of Certified Public Accountants. He is also a fellow of The Hong Kong Institute of Directors and 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. He was also an independent non-executive Director of Vitasoy International Holdings Limited and retired from that company's board on 4 September 2014.

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 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 50 years of experience in the accounting profession and possesses the accounting and related financial management expertise required under rule 3.10(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS & SENIOR MANAGEMENT

SHI Xiaoguang (石曉光), aged 68, 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 was formerly 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 responsibilities of China Toy & Juvenile Products Association include recommending the safety standards and/or regulations of durable juvenile products to recommend 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)).

CHIANG Yun, RACHEL (張昀), aged 47, was re-designated as an independent non-executive Director of our Company with effect from 23 May 2014. Ms Chiang was a non-executive Director of our Company for the period from 15 November 2007 to 22 May 2014 and a director of our Company for the period from 14 July 2000 to 14 November 2007. Ms. Chiang has over 21 years of private equity investment experience in Asia. She 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, 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 North-western 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.

Save as otherwise disclosed, there is no relationship between any members of the Board, and no information relating to the Directors which is required to be disclosed pursuant to Rules 13.51(2) and 13.51(B) (1) of the Listing Rules.

SENIOR MANAGEMENT

LIU Tongyou (劉同友), aged 47, is our chief financial officer responsible for finance, legality, mergers and acquisitions, investor relationships and the internal audit.

Mr. Liu joined us in 1996 and has over 20 years of experience in corporate finance, legal and business management. Mr. Liu received his bachelor of science in 1989 and graduated from Tianjin University of Finance & Economics with a Master's degree in economics in 1992. Mr. Liu worked for a famous Economist, Jiang Yiwei, as his academic secretary in 1992. He joined the Beijing Standard Consultancy Company in 1993. As the business director, Mr. Liu was responsible for consulting on the restructuring as well as listing consultancy of a number of Chinese enterprises, including Haier Electric Appliance Company and Hainan Airlines Company. Mr. Liu supported the Group from 1994 and joined the Group in 1996. Mr. Liu works as a part-time professor of Tianjin University of Finance & Economics since 2008. Mr. Liu was awarded 'Top 10 CFO of the Year 2010 in China" by the Chief Finance Officer magazine.

Gregory Euell MANSKER, aged 58, is our chairman and chief executive officer specifically for the Northern and Southern American markets and chief executive officer of Evenflo. He is primarily responsible for our business development in the region of America.

Mr. Mansker joined us in October 2011 and has over 28 years of experience in international business operations, 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. Mr. Mansker 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 bachelors degree in pre-law from Bob Jones University in 1978 and his juris doctor degree from Villanova University in 1981. Mr. Mansker was 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 organisation in the United States.

Timothy Ian MAULE, aged 46, is our chief commercial officer, predominantly in charge of the overall commercial execution of our long-term strategy.

Mr. Maule leads the global Group level of our Group's marketing, sales, brand portfolio management as well as international sales across APAC, EMEA, and North and South America. Tim Maule brings over 25 years of experience from the juvenile and toy industry and international retail development. Previously, he was deputy chief executive officer of the leading global brand Mamas & Papas based in the UK with responsibility for the management of the company's retail and wholesale businesses, running both the UK store estate, the e-commerce business, and the brand distribution business. More recently, he led the growth of Mamas & Papas Brand into 59 countries around the world, through franchise stores, international e-commerce, distributors and sales offices building a successful global business. He was an executive board member of the BPA UK trade association from 2011 to 2014.

DIRECTORS & SENIOR MANAGEMENT

Erich Matthias FUCHS, aged 46, is the chief supply chain officer of our group mainly in charge of the Group's global strategy in production, strategic sourcing, logistic and quality.

Mr. Fuchs has over 23 years' international experience in operations and supply chain management to the Goodbaby group. Before joining Goodbaby, Mr. Fuchs was Head of Global Operations of AFG Arbonia-Forster Holding AG. From 2008 to 2012 he was European Operations and Supply Chain Director at Britax Roemer Child Safety. From 2002 to 2007 he served as Global Senior Vice President Operational Excellence for Lufthansa Service Holding AG (LSG Sky Chefs). Mr. Fuchs began his career in the automotive industry in 1991 and during his tenure held leadership positions including Head of Business Unit at FAG Kugelfischer AG and Director JIT Manufacturing Europe at Tenneco Automotive. Mr. Fuchs holds a bachelor's degree in Mechanical Engineering from the University of Applied Science Regensburg, Germany.

Simone BERGER, aged 36, is the senior vice president of global human resources in charge of our Group's human resources and talent management strategy.

Mrs. Berger has been an international HR executive for more than 10 years. After working in the USA and Germany at Bayer AG, one of the leading life science companies, she relocated to Asia in 2005. She spent almost 6 years in Shanghai at Schaeffler Group, a globally-known German automotive supplier. There she led the international Human Resources function for the Asia Pacific Region. In 2010, Mrs. Berger moved with Schaeffler Group to Singapore. Prior to joining CYBEX/Goodbaby, she was the Regional Manager Human Resources AsiaPacific at Voith Turbo Singapore, a German multinational corporation in the mechanical engineering sector with worldwide operations.

TSE Shing Fung (謝承鋒), aged 50, is Chief Executive Officer of our China manufacturing & blue-chip business predominantly in charge of the overall operation execution in our China manufacturing facilities and overall management in our blue-chip business.

Mr. Tse leads the entire China manufacturing team as well as blue-chip business team. He brings over 32 years of experience from the juvenile and toy and electronics industry. He was chief executive officer of the U.S. listed company Deswell Industrial Inc. with responsibility for the management of the company's overall sales and operations, includes their plastic injection & tooling factory and EMS & metal factory and he led the company to overcome challenges and difficulties successfully.

COMPANY SECRETARY

HO Siu Pik (何小碧), aged 51, was appointed as the company secretary of our Company on 1 November 2014. Ms. Ho is a director of the Corporate Services Division of Tricor Services Limited. She has over 20 years of experience in the corporate services field and has been providing professional services to certain Hong Kong listed companies. Prior to her employment with Tricor Services Limited, Ms. Ho was a senior manager of PricewaterhouseCoopers in Hong Kong providing company secretarial and compliance services to their clients in Hong Kong and overseas. Ms. Ho is currently the company secretary of Sun Art Retail Group Limited (stock code: 6808), Yashili International Holdings Ltd (stock code: 1230) and Natural Beauty Bio-Technology Limited (stock code: 157) and the joint company secretary of China Molybdenum Company Limited (stock code: 3993), China Polymetallic Mining Limited (stock code: 2133), and China Rundong Auto Group Limited (stock code: 1365). Ms. Ho is a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She is also a holder of the Practitioner's Endorsement from The Hong Kong Institute of Chartered Secretaries.

Goodbaby International

Corporate Governance Report

CORPORATE GOVERNANCE REPORT

The board (the "Board") of directors (the "Directors") is pleased to present this corporate governance report in the annual report for the year ended 31 December 2014.

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 2014, the Company has complied with all the code provisions and, where appropriate, adopted the recommended best practices set out in the CG Code, save for the deviation from code provision A.2.1 which is explained as follows:-

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

Mr. SONG Zhenghuan is an executive Director, the chairman and CEO of the Company and the founder of the Group. The Board considers that vesting the roles of the chairman and CEO of the Company in the same person is necessary because of the importance of Mr. Song in the business development efforts of the Company and it is beneficial to the business prospects and management of the Group. Furthermore, all major decisions are made in consultation with members of the Board, appropriate board committees or senior management of the Group. Throughout the year ended 31 December 2014, there 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.

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 2014.

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, one non-executive Director and three independent non-executive Directors, namely as follows:

Executive Directors

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

Non-executive Director

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)*
Ms. CHIANG Yun *(re-designated by the shareholders on 23 May 2014) (member of audit, nomination and remuneration committees since 18 March 2014)*

The biographical information of the Directors are set out in the section headed "Directors' and Senior Management" on pages 26 to 35 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, CEO and executive Director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2014, the Board has 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/her 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 are independent.

CORPORATE GOVERNANCE REPORT

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 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 ("2014 AGM") of the Company. The relevant resolution approving the aforesaid re-designation was passed by the shareholders at the 2014 AGM held on 23 May 2014. Accordingly, Ms. Chiang has been formally re-designated as an independent non-executive Director of the Company with effect from 23 May 2014.

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 CEO, 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 of the Company 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. Michael Nan QU and Mr. Martin POS 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 2014, all Directors had provided the Company with a record of the training they received on a half yearly basis, and such records were maintained by the Company. The training record of each Director during the year ended 31 December 2014 is set out in the table below:

Name of Directors	Hours of Training in 2014
SONG Zhenghuan	14
WANG Haiye	14
Michael Nan QU	14
Martin POS	14
HO Kwok Yin, Eric	14
Iain Ferguson BRUCE	46.5
SHI Xiaoguang	14
CHIANG Yun	14

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Code provision A.4.1 of the CG Code stipulates that non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

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.

CORPORATE GOVERNANCE REPORT

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.

All members of each Board committee are independent non-executive Directors. A list of the chairman and members of each Board committee is set out under "Corporate Information" on pages 5 to 7 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 as a member of each of the Audit Committee, Nomination Committee and Remuneration Committee of the Company on 18 March 2014. In addition, Ms. Chiang has been re-designated from non-executive Director to independent non-executive Director by the shareholders of the Company on 23 May 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 two meetings on 18 March 2014 and 22 August 2014 to review the annual financial results and report in respect of the year ended 31 December 2013 and interim financial results and report for the six months ended 30 June 2014 as well as significant issues on the financial reporting and compliance procedures, continuing connected transactions, 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 2014, 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 18 March 2014, 23 May 2014 and 29 September 2014 to review and determine/make recommendation to the Board on the appointment letters of Mr. Michael Nan QU and Mr. Marin POS as executive Directors, the appointment letter of Ms. CHIANG Yun as independent non-executive Director and their respective remuneration packages, the remuneration packages of all the Directors and senior management for 2014, remuneration adjustment of the Directors and senior management, grant of share options as well as other related matters.

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 a meeting on 18 March 2014 to review the structure, size and composition of the Board, 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 and to review and accept the resignation of Mr. LONG Yongtu as independent non-executive Director, assess the independence of Ms. CHIANG Yun from the Company, consider and recommend to the Board on the re-designation of Ms. CHIANG Yun from non-executive Director to independent non-executive Director as well as the appointment of Mr. Michael Nan QU and Mr. Martin POS 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

The Board has adopted a board diversity policy setting out the approach to achieve diversity on the Board at a board meeting held on 23 August 2013. 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 meetings of the Company held during the year ended 31 December 2014 is set out in the table below:

	Attendance/Number of Meetings in 2014					
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	Extraordinary General Meeting
SONG Zhenghuan	8/9				1/1	1/1
WANG Haiye	9/9				0/1	0/1
Michael Nan QU (appointed on 18 March 2014)(1)	6/9				0/1	0/1
Martin POS (appointed on 18 March 2014)(2)	6/9				0/1	0/1
HO Kwok Yin, Eric	9/9				1/1	1/1
Iain Ferguson BRUCE	8/9	2/2	3/3	1/1	1/1	1/1
SHI Xiaoguang	8/9	2/2	3/3	1/1	1/1	0/1
CHIANG Yun (re-designated as independent non-executive Director on 23 May 2014)	8/9	1/2	2/3	0/1	1/1	1/1
LONG Yongtu (resigned on 18 March 2014)(3)	2/9	0/2	0/3	0/1	0/1	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 18 March 2014.

Notes:-

(1) 6 board meetings, the annual general meeting and the extraordinary general meeting were held after his appointment

(2) 6 board meetings, the annual general meeting and the extraordinary general meeting were held after his appointment

(3) 6 board meetings, the annual general meeting and the extraordinary general meeting were held after his resignation

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 2014.

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.

CORPORATE GOVERNANCE REPORT

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 69 to 70.

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 2014 amounted to HK$8,106,000 and HK$3,242,000 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 2014 is set out below:

Service Category	Fees Paid/ Payable
Audit Services	HK$8,106,000
Non-audit Services	HK$3,242,000
• Transfer pricing compliance work	HK$252,000
• Preparation and transmission Hong Kong profits tax recturn service	HK$45,000
• Transaction and acquisition and due diligence service for Evenflo	HK$2,945,000

COMPANY SECRETARY

Ms. HO Siu Pik of Tricor Services Limited, external service provider, has been engaged by the Company as its company secretary. Ms. Ho's 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 26 to 35 of this annual report. During 2014, the company secretary undertook over 15 hours of professional training to update her skills and knowledge.

At a board meeting held on 23 October 2014, a letter dated 15 October 2014 from Ms. PAU Lai Mei tendering her resignation as company secretary of the Company with effect from 1 November 2014 has been laid before the meeting and her resignation has been accepted by the Board with effect from 1 November 2014. Consequent upon Ms. Pau's resignation, the Board has appointed Ms. HO Siu Pik to fill the vacancy as the company secretary of the Company with effect from 1 November 2014.

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 2014 are set out in note 10 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 meeting to meet shareholders and answer their enquiries.

However, due to other commitments, three executive Directors, Mr. WANG Haiye, Mr. Michael Nan QU and Mr. Martin POS did not attend the annual general meeting held on 23 May 2014. Mr. Wang, Mr. Qu and Mr. Pos will use their best endeavours to attend future general meetings of the Company.

The 2015 annual general meeting ("AGM") of the Company will be held on 22 May 2015. 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 Legal and 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.

Goodbaby International

Report of the Board of Directors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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 2014 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 6 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 and Consolidated Statement of Comprehensive Income on page 71 and 72 respectively. The financial position as at 31 December 2014 of the Group are set out in the Consolidated Statement of Financial Position on pages 73 to 74. The cash flow of the Group during the year is set out in the Consolidated Statement of Cash Flows on pages 77 to 78.

SHARE CAPITAL

The changes in share capital of the Group during the year are set out in note 33 to the Financial Statements.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: HK5 cents), and there is no arrangement that a shareholder of the Company has waived or agreed to waive any dividend.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the members' eligibility to attend and vote at the annual general meeting, the Company's register of members will be closed during the following period:

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

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

RESERVE

Details of the changes in reserve of the Group during the year are set out in note 35 to the Financial Statements.

As at 31 December 2014, the reserves of the Company available for distribution to shareholders was approximately HK$1,183.4 million.

PROPERTY, PLANT AND EQUIPMENT

The changes in property, plant and equipment during the year are set out in note 16 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 15.5% 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	18.8%
– five largest customers in aggregate	40.5%

Save as disclosed herein, as far as the Company is aware, none of the Directors nor his/her close associates and none of the shareholders possessing over 5% of the interest in the Share 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$59,000.

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
Michael Nan QU

Non-executive Director

HO Kwok Yin, Eric

Independent non-executive Directors

Iain Ferguson BRUCE
SHI Xiaoguang
CHIANG Yun

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

In accordance with the articles of association of the Company, Mr. Wang Haiye, Mr. Ho Kwok Yin, Eric and Ms. Chiang Yun will retire in the forthcoming annual general meeting, and being eligible, have offered themselves to be re-elected and re-appointed 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 Director and the independent non-executive Directors has signed an appointment letter with the Company and is appointed for a specific term of three years with effect from the respective date stated therein.

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.

* *For identification purpose only*

DIRECTORS' INTERESTS IN CONTRACTS

Other than those transactions disclosed in note 38 to the Financial Statements and in the section "Connected transactions" below, there was no other contracts of significance with any member of the Group as the contracting party and in which the Directors possessed direct or indirect material 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 2014.

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.

REPORT OF THE BOARD OF DIRECTORS

During the year of 2014, 53,420,000 share options were granted. Up to 31 December 2014, 16,000 share options had lapsed and 102,000 share options had been exercised. As at 31 December 2014, 75,857,000 share options were outstanding. Details of the share options granted during the year ended 31 December 2014 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	22,555,000	0	0	0	16,000	102,000	22,437,000	3 January 2012	(i) 437,000 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
Name of Directors of the Company											
Mr. SONG Zhenghuan	0	1,390,000	0	0	0	0	1,390,000	29 September 2014	(i) 13,160,000 share options: 29 September 2017 to 28 September 2024 (ii) 27,100,000 share options: 29 September 2018 to 28 September 2024 (iii) 13,160,000 share options: 29 September 2019 to 28 September 2024	3.58	3.4
Mr. WANG Haiye	0	2,400,000	0	0	0	0	2,400,000				
Mr. Michael Nan QU	0	2,400,000	0	0	0	0	2,400,000				
Mr. Martin POS	0	2,400,000	0	0	0	0	2,400,000				
Mr. HO Kwok Yin, Eric	0	1,000,000	0	0	0	0	1,000,000				
Mr. Iain Ferguson BRUCE	0	800,000	0	0	0	0	800,000				
Mr. SHI Xiaoguang	0	800,000	0	0	0	0	800,000				
Ms. CHIANG Yun	0	800,000	0	0	0	0	800,000				
Sub-total of Share Options granted to Directors	0	11,990,000	0	0	0	0	11,990,000				

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 Group	0	40,040,000	0	0	0	0	40,040,000				
Ms. Fu Jingqiu Chairwoman of the Group's largest distributor in the PRC and a substantial shareholder of the Company	0	1,390,000	0	0	0	0	1,390,000				

Save as disclosed herein, no options were granted under the Share Option Scheme or any share option scheme of the Group as at 31 December, 2014. 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 2014, measured as at the date of grant, was approximately HK$61,387,000.

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 (%)	1.61
Spot stock price (HK$ per share)	3.40
Historical volatility (%)	38.40
Risk-free interest rate (%)	2.05
Expected life of option (year)	10
Weighted average share price (HK$ per share)	3.58

As at 31 December 2014, the total number of shares available for issue under the Share Option Scheme was 110,097,170 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 2014, 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 recorded in the register referred to therein, or which would be required, pursuant to the Model Code, 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/ Beneficial owner	260,390,000 (L)	23.65%
Mr. Wang Haiye	Beneficial owner	2,400,000(L)	0.21%
Mr. Martin Pos	Beneficial owner	51,191,873(L)	4.64%
Mr. Michael Nan Qu	Beneficial owner	2,400,000 (L)	0.21%
Mr. Ho Kwok Yin, Eric	Beneficial owner	1,000,000(L)	0.09%
Mr. Iain Ferguson Bruce	Beneficial owner	800,000(L)	0.07%
Mr. Shi Xiaoguang	Beneficial owner	800,000(L)	0.07%
Ms. Chiang Yun	Beneficial owner	800,000(L)	0.07%

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.*

(3) *On 29 September 2014, 1,390,000 Share Options were granted to Mr. Song, 2,400,000 Share Options were granted to each of Mr. Wang, Mr. Pos and Mr. Qu, 1,000,000 Share Options were granted to Mr. Ho and 800,000 Shares Options were granted to each of Mr. Bruce, Mr. Shi and Ms. Chiang under the share option scheme adopted by the Company on 5 November 2010. In this connection, each of the directors is deemed to have an interest in the underlying Shares of the Company within the meaning of Part XV of the SFO.*

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 31 December 2014, 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)	23.52%
Cayey Enterprises Limited (Note 2)	Interest of controlled corporation	259,000,000 (L)	23.52%
Credit Suisse Trust Limited (Note 2)	Trustee	259,000,000 (L)	23.52%
Grappa Holdings Limited (Note 2)	Interest of controlled corporation	259,000,000 (L)	23.52%
Ms. Fu Jingqiu ("Ms. Fu") (Notes 2 & 3)	Settlor/beneficiary of a trust/Beneficial owner	260,390,000(L)	23.65%
FIL Limited	Investment manager	99,381,000 (L)	9.02%
Pioneer Investments Management Limited	Investment manager	77,758,000(L)	7.06%
The Capital Group Companies, Inc. (Note 4)	Interest of controlled corporation	78,702,000 (L)	7.14%
GIC Private Limited (formerly known as Government of Singapore Investment Corporation Pte Ltd)	Investment manager	76,673,000 (L)	6.96%

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 2014, 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) *On 29 September 2014, Ms. Fu was grouted 1,390,000 Share Options under the share option scheme adopted by the Company on 5 November 2010. Ms. Fu is deemed to have an interest in the 1,390,000 underlying shares of the Company within the meaning of the SFO.*

(4) *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 78,702,000 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 2014 are set out in note 32 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 2014 set out in note 38 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.

On 18 March 2014, GGPX and GCPX entered into the Supplemental Agreement for the First Pingxiang Lease Agreement whereby the rent for the period from 1 January 2013 to 31 December 2013 remained the same at RMB8.00 per square metre but that for the period from 1 January 2014 to 31 December 2015 would be increased to RMB8.80 per square metre.

The annual caps under the Supplemental Agreement for the First Pingxiang Lease Agreement for each of the two years ending 31 December 2015 will remain the same at RMB2,350,000 (or approximately HK$2,974,684.05) and RMB2,585,000 (or approximately HK$3,272,152.46), respectively.

(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.

On 18 March 2014, GGPX and GCPX entered into the Supplemental Agreement for the Second Pingxiang Lease Agreement with the following principal terms:

(i) GGPX will continue to lease the Category A Properties to GCPX on the same terms set out under the Second Pingxiang Lease Agreement except for the rent, which remained the same at RMB8.00 per square metre for the period from 1 September 2013 to 31 December 2013, will be increased to RMB8.80 per square metre for the period from 1 January 2014 to 31 December 2015;

(ii) the parties specify the specific location of the Category B Properties (which were not previously specified under the Second Pingxiang Lease Agreement as housing delivery had not been completed) and the term of the rental of the Category B Properties will commence from 1 April 2014 and end on 31 December 2015 on the same terms set out under the Second Pingxiang Lease Agreement except for the rent; and

(iii) in respect of the Category B Properties, the rent will be increased to RMB8.80 per square metre.

The annual caps under the Supplemental Agreement for the Second Pingxiang Lease Agreement for the each of the two years ending 31 December 2015 will remain the same at RMB4,500,000 (or approximately HK$5,696,203.5) and RMB5,000,000 (or approximately HK$6,329,115), 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.

* *For identification purpose only*

REPORT OF THE BOARD OF DIRECTORS

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.

On 18 March 2014, GGPX, GCPC and GCPX entered into the Supplemental Agreement for the Third Pingxiang Lease Agreement with the following principal terms:

(i) GCPX will substitute GCPC under the Third Pingxiang Lease Agreement whereby GGPX will lease the Property II to GCPX commencing from 1 April 2014 and ending on 31 December 2015, and the rent for the period from 1 September 2013 to 31 December 2013 remained the same at RMB8.00 per square metre but that for the period from 1 January 2014 to 31 December 2015 would be increased to RMB8.80 per square metre; and

(ii) GCPX will assume all the liabilities owed by GCPC to GGPX under the Supplemental Agreement for the Third Pingxiang Lease Agreement with effect from 1 April 2014.

The annual caps under the Supplemental Agreement for the Third Pingxiang Lease Agreement for each of the two years ending 31 December 2015 will remain the same at RMB1,100,000 (or approximately HK$1,392,405.3) and RMB1,200,000 (or approximately HK$1,518,987.6), respectively.

(D) Fourth Pingxiang Lease Agreement

On 18 March 2014, GGPX and GCPC entered into the Fourth Pingxiang Lease Agreement, pursuant to which GGPX will lease the Property III to GCPC commencing from 1 April 2014 and ending on 31 December 2015. The Property III is intended to be used mainly as a logistics warehouse. The aggregate annual rent of the Property III 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 Fourth Pingxiang Lease Agreement at any time within the three months period before the expiry date of the Fourth 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 Fourth Pingxiang Lease Agreement for each of the two years ending 31 December 2015 are RMB1,200,000 (or approximately HK$1,518,987.6) and RMB1,700,000 (or approximately HK$2,151,899.1), respectively.

(E) Fifth Pingxiang Lease Agreement

On 18 March 2014, GGPX and GCPX entered into the Fifth Pingxiang Lease Agreement, pursuant to which GGPX will lease the Property IV to GCPX commencing from 1 April 2014 and ending on 31 December 2015. The Property IV is intended to be used mainly for manufacturing plants and manufacturing support facilities. The aggregate annual rent of the Property IV 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 Fifth Pingxiang Lease Agreement at any time within the three months period before the expiry date of the Fifth 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 Fifth Pingxiang Lease Agreement for each of the two years ending 31 December 2015 are RMB400,000 (or approximately HK$506,329.2) and RMB600,000 (or approximately HK$759,493.8), 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 Supplemental Agreement for the First Pingxiang Lease Agreement, the Supplemental Agreement for the Second Pingxiang Lease Agreement, the Supplemental Agreement for the Third Pingxiang Lease Agreement, the Fourth Pingxiang Lease Agreement and the Fifth Pingxiang Lease Agreement shall be aggregated 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;*

Category A 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 approximately 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);*

Category B 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 approximately 2,144.99 square metres, with building ownership certificates of Ping Fang Quan Zheng Qi Qu 03 Zi No. 705 (平房權證乞區03字第705號), Ping Fang Quan Zheng Qi Qu 03 Zi No. 708 (平房權證乞區03字第708號) and Ping Fang Quan Zheng Qi Qu 03 Zi No. 709 (平房權證乞區03字第709號);*

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);*

Property III: *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 total of 12,821.82 square metres with building ownership certificate of Ping Fang Quan Zheng Qi Qu 03 Zi No. 702 (平房權證乞區03字第702號);*

Property IV: *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 4,541.39 square metres with building ownership certificate of 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. 703 (平房權證乞區03字第703號) and Ping Fang Quan Zheng Qi Qu 03 Zi No. 704 (平房權證乞區03字第704號).*

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'

* *For identification purpose only*

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.

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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.56 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. 55 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) on normal commercial terms or better; 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 2014, the Group had a total of 12,255 full-time employees (as at 31 December 2013, the Group had a total of 11,567 full-time employees). For the year ended 31 December 2014, costs of employees, excluding Directors' emoluments, amounted to a total of HK$1,196.7 million (for the year ended 31 December 2013, costs of employees, excluding Directors' emoluments, amounted to a total of HK$834.7 million). The Group determined the remuneration packages of all employees with reference to individual performance and current market salary scale. The Group provides its employees in the PRC and other countries and regions with welfare schemes as required by 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/her 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 2010, 2011, 2012 and 2013 annual reports and 2014 interim report. As at 31 December 2014, the Company has used such proceeds in accordance to the allocation as specified under the section headed "Future Plans and Use of Proceeds" of the Company's prospectus dated 11 November 2010 (the "Prospectus").

Such proceeds have been utilized in full for the following purposes as at 31 December 2014:

Use	Approximate percentage of net proceeds	Approximate amount of net proceeds (in HK$ million)	Approximate amount utilized (in HK$ million)
Capital expenditure to expand our production capacity at our existing stroller plants in Kunshan and Ningbo, increase our production efficiency through purchases of more advanced machines, and to construct a new staff hostel and canteen	30%	268.3	268.3
Research and development and commercialization of products, including new children's car safety seat products and other new products	20%	178.8	178.8
Improvement of our general market research, product development and design capability in Kunshan and our overseas research centers	15%	134.1	134.1
Expansion and enhancement of our distribution network in China and our overseas markets	15%	134.1	134.1
Marketing and promotion of our brands	10%	89.5	89.5
Working capital and other general corporate purposes	10%	89.5	89.5
Total	100%	894.3	894.3

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

REPORT OF THE BOARD OF DIRECTORS

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 41 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 during the year ended 31 December 2014.

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

Details of the event after the reporting period of the Group are set out in note 42 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 186 to 187 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 throughout the year ended 31 December 2014.

AUDITORS

The financial statements of the Company for the year ended 31 December 2014 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

30 March 2015

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 71 to 185, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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.

DIRECTORS' 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, 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.

INDEPENDENT AUDITORS' REPORT

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 2014, and of 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

30 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Notes	2014 (HK$'000)	2013 (HK$'000)
Revenue	6	**6,115,592**	4,188,794
Cost of sales		**(4,588,057)**	(3,228,205)
Gross profit		**1,527,535**	960,589
Other income and gains	6	**97,147**	48,593
Selling and distribution expenses		**(777,464)**	(446,969)
Administrative expenses		**(699,180)**	(359,971)
Other expenses		**(3,234)**	(11,056)
Finance costs	8	**(48,110)**	(6,826)
Finance income	7	**8,606**	10,590
Share of losses of a joint venture		**(31)**	(22)
PROFIT BEFORE TAX	9	**105,269**	194,928
Income tax expense	12	**(47,545)**	(23,799)
PROFIT FOR THE YEAR		**57,724**	171,129
Attributable to:			
Owners of the parent		**57,475**	171,213
Non-controlling interests		**249**	(84)
		57,724	171,129
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:	15		
Basic			
– For profit for the year (HK$)		**0.05**	0.17
Diluted			
– For profit for the year (HK$)		**0.05**	0.17

Details of the dividends payable and proposed for the year are disclosed in note 14 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	31 December 2014 (HK$'000)	31 December 2013 (HK$'000) (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	16	**920,953**	707,909
Prepaid land lease payments	17	**65,449**	67,916
Goodwill	18	**808,385**	16,406
Other intangible assets	19	**711,909**	18,564
Investment in a joint venture		**927**	961
Deferred tax assets	31	**20,249**	14,820
Total non-current assets		**2,527,872**	826,576
CURRENT ASSETS			
Inventories	20	**1,535,271**	797,983
Trade and notes receivables	21	**973,309**	738,025
Prepayments and other receivables	22	**192,751**	129,238
Due from a related party	38	**379,152**	235,717
Available-for-sale investments	23	**206,389**	127,830
Cash and cash equivalents	24	**434,661**	608,299
Time deposits	24	**50,723**	—
Pledged time deposits	24	**165,807**	—
Derivative financial instruments	25	**26,797**	—
Total current assets		**3,964,860**	2,637,092
CURRENT LIABILITIES			
Trade and bills payables	26	**1,131,336**	714,365
Other payables, advances from customers and accruals	27	**433,370**	241,700
Interest-bearing bank borrowings	29	**1,496,078**	447,239
Income tax payable		**25,180**	5,164
Provision	28	**21,088**	8,541
Defined benefit plan liabilities	30	**310**	—
Dividends payable		**8**	8
Total current liabilities		**3,107,370**	1,417,017
NET CURRENT ASSETS		**857,490**	1,220,075
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,385,362**	2,046,651

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	**31 December 2014 (HK$'000)**	31 December 2013 (HK$'000) (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,385,362**	2,046,651
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	29	**762,118**	—
Provision	28	**53,860**	—
Defined benefit plan liabilities	30	**12,870**	—
Other liabilities		**9,041**	—
Deferred tax liabilities	31	**219,813**	19,159
Total non-current liabilities		**1,057,702**	19,159
Net assets		**2,327,660**	2,027,492
EQUITY			
Equity attributable to owners of the parent			
Share capital	33	**11,010**	10,054
Reserves	35(a)	**2,285,894**	1,931,782
Proposed final dividend	14	—	55,045
		2,296,904	1,996,881
Non-controlling interests		**30,756**	30,611
Total equity		**2,327,660**	2,027,492

SONG Zhenghuan
Director

WANG Haiye
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Attributable to owners of the parent												
	Share capital (HK$'000) (note 33)	Share premium (HK$'000)	Deferred share reserve (HK$'000) (note 35(a))	Share option reserve (HK$'000)	Statutory reserve funds (HK$'000) (note 35(a))	Cumulative translation adjustments (HK$'000)	Defined benefit plans (HK$'000) (note 30)	Merger reserve (HK$'000) (note 35(a))	Retained earnings (HK$'000)	Proposed final dividend (HK$'000) (note 14)	Totall (HK$'000)	Non-controlling interests (HK$'000)	Total equity (HK$'000)
At 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 14)	—	(47,625)	—	—	—	—	—	—	(7,420)	55,045	—	—	—
Difference between proposed and declared 2012 dividend	—	(238)	—	—	—	—	—	—	—	238	—	—	—
Share option exercised	54	15,416	—	(4,003)	—	—	—	—	—	—	11,467	—	11,467
Profit appropriation	—	—	—	—	9,515	—	—	—	(9,515)	—	—	—	—
2012 dividend declared (note 14)	—	—	—	—	—	—	—	—	—	(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)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Attributable to owners of the parent											Non-controlling interests (HK$'000)	Total equity (HK$'000)
	Share capital (HK$'000) (note 33)	Share premium (HK$'000)	Deferred share reserve (HK$'000) (note 35(a))	Share option reserve (HK$'000)	Statutory reserve funds (HK$'000) (note 35(a))	Cumulative translation adjustments (HK$'000)	Defined benefit plans (HK$'000) (note 30)	Merger reserve (HK$'000) (note 35(a))	Retained earnings (HK$'000)	Proposed final dividend (HK$'000) (note 14)	Totall (HK$'000)		
At 31 December 2013 and 1 January 2014	10,054	857,597	—	10,420	131,211	216,644	—	153,975	561,935	55,045	1,996,881	30,611	2,027,492
Profit for the year	—	—	—	—	—	—	—	—	57,475	—	57,475	249	57,724
Remeasurement effects of defined benefit plans	—	—	—	—	—	—	(6,511)	—	—	—	(6,511)	—	(6,511)
Exchange differences on translation	—	—	—	—	—	(48,638)	—	—	—	—	(48,638)	(104)	(48,742)
Total comprehensive income for the year	—	—	—	—	—	(48,638)	(6,511)	—	57,475	—	2,326	145	2,471
Difference between proposed and declared 2013 dividend	—	(2)	—	—	—	—	—	—	—	2	—	—	—
Issue of shares	955	325,521	—	—	—	—	—	—	—	—	326,476	—	326,476
Deferred shares	—	—	15,524	—	—	—	—	—	—	—	15,524	—	15,524
Share option exercised	1	290	—	(75)	—	—	—	—	—	—	216	—	216
Profit appropriation	—	—	—	—	9,059	—	—	—	(9,059)	—	—	—	—
2013 dividend declared (note 14)	—	—	—	—	—	—	—	—	—	(55,047)	(55,047)	—	(55,047)
Equity-settled share option arrangements	—	—	—	10,528	—	—	—	—	—	—	10,528	—	10,528
As at 31 December 2014	11,010	1,183,406*	15,524*	20,873*	140,270 *	168,006 *	(6,511)*	153,975*	610,351 *	—	2,296,904	30,756	2,327,660

* These reserve accounts comprise the consolidated reserves of HK$2,285,894,000 (2013: HK$1,931,782,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Note	2014 (HK$'000)	2013 (HK$'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**105,269**	194,928
Adjustments for:			
Depreciation and amortisation		**156,878**	110,912
Loss on disposal of items of property, plant and equipment		**318**	276
Share of losses of a joint venture		**31**	22
Write-down of inventories		**19,054**	3,287
Provision for impairment of receivables		**6,510**	9
Interest expense		**48,110**	6,826
Interest income		**(8,606)**	(10,590)
Increase in defined benefit plan liabilities		**7,064**	—
Increase in other liabilities		**9,041**	—
Increase in inventories		**(348,906)**	(176,974)
Decrease in trade and notes receivables		**120,003**	50,805
Increase in prepayments and other receivables		**(32,043)**	(4,000)
Increase in amounts due from related parties		**(143,435)**	(102,230)
Increase/(decrease) in trade and notes payables		**142,643**	(76,903)
Increase/(decrease) in other payables, advances from customers and accruals		**34,194**	(48,098)
Increase/(decrease) in provision		**7,833**	(3,491)
Income tax paid		**(56,364)**	(26,222)
Fair value gain on derivative financial instruments		**(29,077)**	—
Net cash flows generated from/(used in) operating activities		**38,517**	(81,443)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	4	**(1,396,670)**	—
Purchase of property, plant and equipment		**(159,518)**	(118,479)
Purchase of intangible assets		**(8,502)**	(3,456)
Purchase of available-for-sale financial Investments		**(78,649)**	(4,495)
Interest received		**6,259**	8,671
Increase in time deposits		**(50,723)**	—
Proceeds from disposal of items of property, plant and equipment		**2,623**	3,762
Net cash flows used in investing activities		**(1,685,180)**	(113,997)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Note	**2014 (HK$'000)**	2013 (HK$'000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**216**	11,467
Proceeds from borrowings		**3,499,303**	1,627,600
Repayment of borrowings		**(1,767,258)**	(1,411,274)
Interest paid		**(38,382)**	(6,826)
Increase in pledged time deposits		**(165,807)**	—
Dividends paid		**(55,047)**	(50,238)
Net cash flows generated from financing activities		**1,473,025**	170,729
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(173,638)**	(24,711)
Cash and cash equivalents at beginning of year		**608,299**	633,010
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	**434,661**	608,299

STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 (HK$'000)	2013 (HK$'000)
NON-CURRENT ASSETS			
Investments in subsidiaries	32	**8,805**	8,805
Investment in a joint venture		**1,562**	1,562
Total non-current assets		**10,367**	10,367
CURRENT ASSETS			
Other receivables	22	**1,034**	62
Due from subsidiaries		**1,240,112**	1,227,751
Cash and cash equivalents	24	**1,192**	12,223
Total current assets		**1,242,338**	1,240,036
CURRENT LIABILITIES			
Other payables	27	**54,955**	15,711
Dividend payables		**8**	8
Due to a subsidiary		**18,986**	301,568
Total current liabilities		**73,949**	317,287
NET CURRENT ASSETS		**1,168,389**	922,749
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,178,756**	933,116
Net assets		**1,178,756**	933,116
EQUITY			
Equity attributable to owners of the parent			
Share capital	33	**11,010**	10,054
Reserves	35(b)	**1,167,746**	868,017
Proposed final dividend	14	**—**	55,045
Total equity		**1,178,756**	933,116

SONG Zhenghuan
Director

WANG Haiye
Director

NOTES TO FINANCIAL STATEMENTS

31 December 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 were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 24 November 2010.

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

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

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

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

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

1 Effective from 1 July 2014

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(Continued)

Except for the amendment to IFRS 1 which is only relevant to an entity's first IFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

(a) Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (2011). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in IFRS 10.

(b) The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) The IAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(Continued)

(d) IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group did not have any liabilities for the levies in prior years.

(e) The IFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(f) The IFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 or IAS 39. The amendment has had no impact on the Group.

(g) The IFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

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

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

Amendments to HKAS 1	*Presentation of Financial Statements - Disclosure Initiative*[2]
IFRS 9	*Financial Instruments*[4]
Amendments to IFRS 10, IFRS 12 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 10, IFRS 12 and IAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	*Amendments to a number of IFRSs*[1]
Annual Improvements 2011-2013 Cycle	*Amendments to a number of IFRSs*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of IFRSs*[2]

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

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

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

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

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

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

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

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

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

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

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

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on 1 January 2017 and is currently assessing the impact of IFRS 15 upon adoption.

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

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

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

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

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

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 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

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 assets transferred. Goodwill arising from the acquisition of joint venture is included as part of the Group's investment in a joint venture.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in a joint venture (Continued)

The results of a joint venture are included in the Company's 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.

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 of the acquiree.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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.

Fair value measurement

The Group measures its 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

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.

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
Freehold land	Indefinite	—
Buildings	20 years	10%
Plant and machinery	10 years	10%
Motor vehicles	5 years	10%
Furniture and fixtures	5 years	—
Leasehold improvements	The lesser of lease terms and useful lives	—

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

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.

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.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Trademarks

Trademarks are capitalised and amortised using the straight-line method over their estimated useful lives of ten to thirty years except for certain trademarks acquired through the business combinations of Columbus Holding GmbH and WP Evenflo Group Holdings, Inc. (further detailed in note 4) whose useful lives are indefinite.

Computer software

Expenditure on computer software are capitalised and amortised using the straight-line method over their estimated useful lives of five years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Patents, non-compete agreement and customer relationship

Expenditure on acquired patents, non-compete agreement and customer relationship are capitalised and amortised using the straight-line method over their estimated useful lives of five to twenty 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

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

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial investments 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss (Continued)

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.

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 recognised 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Available-for-sale financial investments (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Available-for-sale financial investments

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.

The determination of what is "significant" or "prolonged" requires judgment. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, and 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 bills 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:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

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 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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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) 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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 34 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

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.

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, 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 profit or loss 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other employee benefits (Continued)

Pension scheme (Continued)

The Group's U.S. operations and most other non-U.S. subsidiaries have separate defined contribution plans. The purpose of these defined contribution plans is generally to provide additional financial security during retirement by providing employees with an incentive to make regular savings. Group contributions to the plans are based on employee contributions or compensation.

Defined benefit plans

The Group operates defined benefit pension plans with details summarized in note 30. The costs of providing benefits under the defined benefit plans are determined using the projected unit credit actuarial valuation method.

Remeasurements arising from defined benefit plans, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "cost of sales" and "administrative expenses" in the consolidated statement of profit or loss by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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.

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.

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 units and also to choose suitable discount rates in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2014 was approximately HK$808,385,000 (2013:HK$16,406,000). Further details are given in note 18.

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 31.

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 21.

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.

The Group also provides provision for product liabilities which is based on estimated future costs to be incurred in claims. There are significant estimates included in the projection, which are discount rate used and assessment on possibility of outcome of the claims based on historical experience.

Defined benefit plans

The Group operates and maintains defined retirement benefit plans. The cost of providing the benefits in the defined retirement benefit plans is actuarially determined by utilising various actuarial assumptions and using the projected unit credit. These assumptions include, without limitation, the selection of discount rate and healthcare trend rates.

Additional information regarding the retirement benefit plan is disclosed in Note 30 to the financial statements.

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 namely 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). 95,460,700 shares were issued to the Sellers on 30 January 2014. If no claims (any claim under or in connection with the aforesaid agreement) have been notified to the Sellers' representatives by 18 months following the completion date (as defined in the aforesaid agreement), the remaining 4,539,300 shares will be allotted and issued to the Sellers on the date which is 18 months following the completion date.

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. Columbus's marketing-driven premium brand is complementary with the Group's research- and product-driven model and is aligned with the Group's strategy to reinforce its leadership status in the global juvenile products market. 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 consolidated financial statements include the results of Columbus for the eleven month period from the acquisition date.

4. BUSINESS COMBINATIONS (Continued)

Acquisition of Columbus Holding GmbH and its subsidiaries (Continued)

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

	Fair value recognised on acquisition (HK$'000)
Assets	
Property, plant and equipment	36,608
Intangible assets - Trademark	418,519
– Patents	51,285
– Non-compete agreement	7,689
– Customer relationship	55,204
– Computer software	1,423
Deferred tax assets	381
Cash and cash equivalents	60,172
Trade and notes receivables	62,190
Prepayments and other receivables	1,792
Inventories	77,036
	772,299
Liabilities	
Interest-bearing bank borrowings	(7,861)
Trade and bills payables	(25,853)
Other payables, advances from customers and accruals	(51,602)
Provision	(1,485)
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	751,070
Analysis of cash flows on acquisition:	
Net cash acquired	60,172
Cash paid	(409,070)
Net cash outflow (included in cash flows from investing activities)	(348,898)

4. BUSINESS COMBINATIONS (Continued)

Acquisition of Columbus Holding GmbH and its subsidiaries (Continued)

From the date of acquisition, Columbus and its subsidiaries have contributed HK$730,299,300 to the Group's revenue and HK$45,007,000 to the consolidated profit for the year ended 31 December 2014. If the acquisition had taken place at the beginning of the year, the revenue of the Group and the consolidated profit of the Group for the year would have been HK$6,166,118,000 and HK$59,882,000, respectively.

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.

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK$62,190,000 and HK$1,792,000, respectively.

The Group incurred transaction costs of HK$4,375,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

Acquisition of WP Evenflo Group Holdings, Inc. and its subsidiaries

On 6 June 2014, the Company and Serena Merger Co., Inc., a wholly-owned subsidiary of the Company ("Serena"), entered into an agreement (the "Agreement") with WP Evenflo Group Holdings, Inc. ("Evenflo"), the shareholders of Evenflo and each additional shareholder or option holder of Evenflo who becomes a party to the Agreement pursuant to a validly executed stockholder letter of transmittal or option holder letter of acknowledgement (collectively, the "Holder Parties"), and WP Administration, LLC. Pursuant to the Agreement, Serena will acquire Evenflo pursuant to a merger transaction where Serena will merge with Evenflo, with Evenflo surviving the merger in accordance with Delaware Law of the United States. The merger consideration to be settled in cash by the Company is US$143,041,667(equal to HK$1,108,792,000).

Evenflo is a Delaware corporation which is principally engaged in the manufacture and sale of juvenile and infant durable products. Upon closing, the Company will own the entire issued share capital of Evenflo through which the Group will primarily manufacture and distribute infant and juvenile products in North America. Evenflo and its subsidiaries ("Evenflo Group") principally engage in the design, research and development, manufacturing, marketing and sale of juvenile durable products. Evenflo Group's products are principally manufactured in Piqua, Ohio, and Tijuana, Mexico, and are sold globally. Evenflo Group also has an established and efficient marketing and operational platform in North America, which generates sales direct to retailers such as Wal-Mart, Toys 'R' Us, Target and Amazon.com. The acquisition aligns with the Group's strategy of reinforcing its leadership status in the global juvenile products market with its own brands while at the same time expanding its resources to support its growing alliances with other major international brands.

On 22 July 2014, a certificate of merger has executed and filed with the Secretary of State of the State of Delaware and the merge became effective.

4. BUSINESS COMBINATIONS (Continued)

Acquisition of WP Evenflo Group Holdings, Inc. and its subsidiaries (Continued)

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

	Fair value recognised on acquisition (HK$'000)
Assets	
Property, plant and equipment	167,061
Intangible assets - Trademark	136,915
– Patents	11,821
– Customer relationship	76,407
Cash and cash equivalents	61,020
Trade and notes receivables	178,052
Prepayments and other receivables	27,331
Inventories	330,400
	989,007
Liabilities	
Trade and bills payables	(248,475)
Other payables, advances from customers and accruals	(96,147)
Defined benefit plan liabilities	(6,162)
Provision	(58,574)
Deferred tax liabilities	(52,276)
	(461,634)
Total identifiable net assets at fair value	527,373
Goodwill arising on acquisition	581,419
Purchase consideration	1,108,792
Analysis of cash flows on acquisition:	
Net cash acquired	61,020
Cash paid	(1,108,792)
Net cash outflow (included in cash flows from investing activities)	(1,047,772)

4. BUSINESS COMBINATIONS (Continued)

Acquisition of WP Evenflo Group Holdings, Inc. and its subsidiaries (Continued)

From the date of acquisition, Evenflo Group has contributed HK$697,344,000 to the Group's revenue and a loss of HK$49,970,000 to the consolidated profit for the year ended 31 December 2014. If the acquisition had taken place at the beginning of the year, the revenue of the Group and the consolidated loss of the Group for the year would have been HK$6,934,201,000 and HK$81,960,000, respectively.

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

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK$178,052,000 and HK$2,039,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK$179,298,000 and HK$2,039,000, respectively, of which trade receivables of HK$1,246,000 are expected to be uncollectible.

The Group incurred transaction costs of HK$60,053,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

5. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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5. OPERATING SEGMENT INFORMATION (Continued)

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

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

Year ended 31 December 2014

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

5. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2013

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

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5. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	European market (HK$'000)	North America market (HK$'000)	Mainland China market (HK$'000)	Other overseas markets (HK$'000)	Total (HK$'000)
Year ended 31 December 2014					
Segment revenue:					
Sales to external customers	**2,012,109**	**1,989,479**	**1,466,237**	**647,767**	**6,115,592**
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

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

(b) Non-current assets

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

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

Information about a major customer

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

	2014 (HK$'000)	2013 (HK$'000)
Revenue	**1,149,120**	1,294,894

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.

6. REVENUE, OTHER INCOME AND GAINS

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

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

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

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

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

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

7. FINANCE INCOME

	Group	
	2014 (HK$'000)	2013 (HK$'000)
Interest income on bank deposits	**8,606**	10,590

8. FINANCE COSTS

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

9. PROFIT BEFORE TAX

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

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

10. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap.32), is as follows:

	2014 (HK$'000)	2013 (HK$'000)
Fees	**835**	1,270
Other emoluments:		
Salaries, allowances and benefits in kind	**17,699**	11,708
Performance-related bonuses	**5,015**	—
Pension scheme contributions	**12**	12
	22,726	11,720
	23,561	12,990

(a) Independent non-executive directors

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

	2014 (HK$'000)	2013 (HK$'000)
LONG Yongtu*	—	—
Iain Ferguson BRUCE	**357**	304
SHI Xiaoguang	**247**	229
CHIANG Yun*	**231**	—
	835	533

* The Board announced the resignation of Mr. Long Yongtu as an independent non-executive Director, effect from 18 March 2014. Ms. Chiang Yun has been appointed in place of Mr. Long with effect from 18 March 2014.

There were no other emoluments payable to the independent non-executive directors in 2014 (2013: Nil).

10. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors and non-executive directors

2014

	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	—	7,616	—	—	7,616
WANG Haiye	—	4,174	—	12	4,186
Michael, Qu Nan**	—	3,089	1,939	—	5,028
Martin POS**	—	2,820	3,076	—	5,896
	—	17,699	5,015	12	22,726
Non-executive director:					
ERIC, Ho Kwok Yin	595	—	—	—	595

** The Board announced the appointment of Mr. Martin POS and Mr. Michael, Qu Nan as executive Directors, with an effect from 23 April 2014 and 18 March 2014, respectively.

10. DIRECTORS' REMUNERATION (Continued)

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

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.

There was no arrangement under which a director waived or agreed to waive any remuneration in 2014 (2013: Nil).

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11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors (2013: two), details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining one (2013: three) non-director, highest paid employee for the year are as follows:

	2014	2013
	(HK$'000)	(HK$'000)
Salaries, allowances and benefits in kind	**3,447**	12,262
Pension scheme contributions	**94**	90
	3,541	12,352

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

	Number of employees	
	2014	2013
HK$3,000,001 to 3,500,000	**1**	1
HK$3,500,001 to 4,000,000	—	1
HK$5,000,001 to 5,500,000	—	1
	1	3

None of the directors or 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 (2013: none).

12. INCOME TAX

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

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

State income tax and federal income tax of the Group's subsidiary in the United States have been provided for at rates of state income tax and federal income tax on the estimated assessable profits of the subsidiary during the year. The state income tax rates are 5% and 9.99% in the respective states where the subsidiary operates, and the federal income tax rates are ranging from 34% to 35% on a progressive basis.

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

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

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

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

Pursuant to relevant tax rules under the EIT Law and with the approval from the relevant tax authorities in the PRC, one of the Group's subsidiaries, Goodbaby Child Products Co., Ltd. ("GCPC"), is qualified as a "High and New Technology Enterprise" and was subject to a preferential tax rate of 15% from 2014 to 2016.

12. INCOME TAX (Continued)

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

	Group	
	2014 (HK$'000)	2013 (HK$'000)
Current income tax – PRC		
– Income tax for the year	**14,215**	10,374
– Overprovision in prior years	**(532)**	(1,630)
	13,683	8,744
United States state and federal income taxes	**3,147**	1,450
Japan income tax	**24**	26
Netherlands income tax	**96**	98
Hong Kong profits tax	**12,778**	13,213
German income tax	**19,219**	—
Deferred income tax (note 31)	**(1,402)**	268
Income tax expense reported in the statement of profit or loss	**47,545**	23,799

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	
	2014 (HK$'000)	2013 (HK$'000)
Profit before tax	**105,269**	194,928
Expected income tax based on different rates applicable to profits in the countries covered	**27,136**	32,944
Tax effect on tax losses not recognised	**15,026**	—
Tax effect on temporary difference for which deferred tax assets have not been recognised	**13,036**	—
Tax effect on tax credit arising from additional deduction of R&D expenditures of PRC subsidiaries	**(15,632)**	(9,972)
Overprovision in prior years	**(532)**	(1,630)
Tax effect on non-taxable income	**(1)**	(34)
Tax effect on non-deductible expenses	**8,512**	2,491
Income tax expense	**47,545**	23,799

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2014 includes a loss of HK$52,057,000 (2013 profit of HK$7,420,000) which has been dealt with in the financial statements of the Company (note 35(b)).

14. DIVIDENDS

	2014 (HK$'000)	2013 (HK$'000)
Final dividend proposed subsequent to the reporting period – nil (2013: HK5 cents)	—	55,045
	—	55,045

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

15. EARNINGS PER SHARE

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

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

15. EARNINGS PER SHARE (Continued)

The calculation of earnings per share is based on:

	2014 (HK$'000)	2013 (HK$'000)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**57,475**	171,213

	2014 ('000)	2013 ('000)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,093,783**	1,003,652
Effect of dilution - weighted average number of ordinary shares:		
Share options	**7,294**	6,267
Total	**1,101,077**	1,009,919

16. PROPERTY, PLANT AND EQUIPMENT

Group

31 December 2014

	Buildings and land (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 2013 and at 1 January 2014:							
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
At 1 January 2014, net of accumulated depreciation	292,881	283,687	6,465	110,672	9,230	4,974	707,909
Additions	2,948	55,918	477	60,578	6,454	33,143	159,518
Acquisition of subsidiaries	89,499	58,109	233	20,587	19,117	16,124	203,669
Disposals	(50)	(2,335)	(63)	(493)	—	—	(2,941)
Depreciation provided during the year	(24,349)	(55,242)	(1,928)	(53,666)	(4,537)		(139,722)
Transfers	2,742	4,821	—	—	—	(7,563)	—
Translation adjustments	(1,061)	(2,699)	(27)	(1,848)	(1,227)	(618)	(7,480)
At 31 December 2014, net of accumulated depreciation	362,610	342,259	5,157	135,830	29,037	46,060	920,953
At 31 December 2014:							
Cost	588,205	778,800	11,564	283,486	65,442	46,060	1,773,557
Accumulated depreciation	(225,595)	(436,541)	(6,407)	(147,656)	(36,405)	—	(852,604)
Net carrying amount	362,610	342,259	5,157	135,830	29,037	46,060	920,953

NOTES TO FINANCIAL STATEMENTS

31 December 2014

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group (Continued)

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

17. PREPAID LAND LEASE PAYMENTS

Group

	2014 (HK$'000)	2013 (HK$'000)
At beginning of year	**67,916**	68,022
Amortisation	**(2,233)**	(2,507)
Translation adjustments	**(234)**	2,401
At end of year	**65,449**	67,916

The leasehold land is situated in Mainland China and is held under a long term lease.

18. GOODWILL

Group

	2013 (HK$'000)
Cost and net carrying amount at 1 January 2013	15,907
Exchange realignment	499
Cost and net carrying amount at 31 December 2013	16,406
Acquisition of subsidiaries (note 4)	819,156
Exchange realignment	(27,177)
Cost and net carrying amount at 31 December 2014	808,385

18. GOODWILL (Continued)

Impairment testing of goodwill

Goodwill is allocated to the following cash-generating units ("CGU") for impairment testing:

	2014 (HK$'000)	2013 (HK$'000)
Manufacture and export of stroller-related products unit	**15,784**	16,406
Evenflo unit	**581,785**	—
Columbus unit	**210,816**	—
	808,385	16,406

Manufacture and export of stroller-related products unit

The recoverable amounts of manufacture and export of stroller-related products unit 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. Declining growth rate was used to extrapolate the cash flows beyond the five-year period. The pre-tax discount rate applied to the cash flow projections as at 31 December 2014 was 14% (2013: 14%).

Evenflo unit

The recoverable amounts of Evenflo unit 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. Declining growth rate was used to extrapolate the cash flows beyond the five-year period. The pre-tax discount rate applied to the cash flow projections as at 31 December 2014 was 10% (2013:nil).

18. GOODWILL (Continued)

Columbus unit

The recoverable amounts of Columbus unit 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. Declining growth rate was used to extrapolate the cash flows beyond the five-year period. The pre-tax discount rate applied to the cash flow projections as at 31 December 2014 was 11.5% (2013: nil).

Key assumptions used in the value in use calculation

Assumptions were used in the value in use calculation of the above cash-generating units for each reporting date. The following describes each key assumption on which senior 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.

19. OTHER INTANGIBLE ASSETS

Group

31 December 2014

	Trademarks (HK$'000)	Computer software (HK$'000)	Non-compete agreement (HK$'000)	Customer relationship (HK$'000)	Patents (HK$'000)	Total (HK$'000)
At 31 December 2013 and at 1 January 2014 (restated):						
Cost	32,848	14,008	—	—	—	46,856
Accumulated amortisation	(21,988)	(6,304)	—	—	—	(28,292)
Net carrying amount	10,860	7,704	—	—	—	18,564
At 1 January 2014, net of accumulated amortisation	10,860	7,704	—	—	—	18,564
Additions	3,462	5,040	—	—	—	8,502
Acquisition of subsidiaries	555,434	1,423	7,689	131,611	63,106	759,263
Amortisation provided during the year	(2,002)	(3,417)	(168)	(5,348)	(3,988)	(14,923)
Translation adjustments	(46,032)	(427)	(1,933)	(5,738)	(5,367)	(59,497)
At 31 December 2014, net of accumulated depreciation	521,722	10,323	5,588	120,525	53,751	711,909
At 31 December 2014:						
Cost	545,644	19,911	6,842	125,579	57,465	755,441
Accumulated amortisation	(23,922)	(9,588)	(1,254)	(5,054)	(3,714)	(43,532)
Net carrying amount	521,722	10,323	5,588	120,525	53,751	711,909

19. OTHER INTANGIBLE ASSETS (Continued)

Group (Continued)

31 December 2013

	Trademarks (HK$'000)	**Computer software** (HK$'000)	**Total** (HK$'000) (Restated)
At 31 December 2012 and at 1 January 2013:			
Cost	29,861	12,228	42,089
Accumulated amortisation	(18,493)	(4,151)	(22,644)
Net carrying amount	11,368	8,077	19,445
At 1 January 2013, net of accumulated amortisation	11,368	8,077	19,445
Additions	2,023	1,433	3,456
Amortisation provided during the year	(2,873)	(2,007)	(4,880)
Translation adjustments	342	201	543
At 31 December 2013, net of accumulated depreciation	10,860	7,704	18,564
At 31 December 2013:			
Cost	32,848	14,008	46,856
Accumulated amortisation	(21,988)	(6,304)	(28,292)
Net carrying amount	10,860	7,704	18,564

20. INVENTORIES

Group

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

21. TRADE AND NOTES RECEIVABLES

	Group	
	2014 (HK$'000)	2013 (HK$'000)
Trade receivables	**974,383**	725,049
Notes receivable	**6,792**	13,451
	981,175	738,500
Impairment of the trade receivables	**(7,866)**	(475)
	973,309	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 net of provision, is as follows:

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

21. TRADE AND NOTES RECEIVABLES (Continued)

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

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

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

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

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

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

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.

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22. PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2014 (HK$'000)	2013 (HK$'000)	**2014 (HK$'000)**	2013 (HK$'000)
Prepayments	**108,505**	89,288	**1,027**	56
Other receivables	**84,246**	39,950	**7**	6
	192,751	129,238	**1,034**	62

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.

23. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2014 (HK$'000)	2013 (HK$'000)
Unlisted investments, at fair value	**206,389**	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 three months and coupon rates ranging from 2.45% to 3.80% per annum.

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

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 (HK$'000)	2013 (HK$'000)	**2014 (HK$'000)**	2013 (HK$'000)
Cash and bank balances	**434,661**	608,299	**1,192**	12,223
Time deposits	**50,723**	—	—	—
Pledged time deposits	**165,807**	—	—	—
	651,191	608,299	**1,192**	12,223
Less: Time deposits	**50,723**	—	—	—
Pledged time deposits:				
Pledged for short term bank loans	**165,807**	—	—	—
Cash and cash equivalents	**434,661**	608,299	**1,192**	12,223
Denominated in RMB	**312,023**	469,286	—	—
Denominated in HK$	**4,652**	12,152	**334**	11,723
Denominated in EUR	**72,918**	2,509	—	—
Denominated in USD	**257,936**	124,228	**858**	500
Denominated in other currencies	**3,662**	124	—	—
Cash and bank balances	**651,191**	608,299	**1,192**	12,223

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

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

25. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2014 (HK$'000)	2013 (HK$'000)
Forward currency contracts	**26,797**	—

The Group uses forward currency contracts to manage some of its transaction exposures. These forward currency contracts are not designated for hedges purposes and are measured at fair value through profit and loss. These forward currency contracts will mature within 2015.

26. TRADE AND BILLS PAYABLES

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

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

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

27. OTHER PAYABLES, ADVANCES FROM CUSTOMERS AND ACCRUALS

	Group		Company	
	2014 (HK$'000)	2013 (HK$'000)	**2014 (HK$'000)**	2013 (HK$'000)
Other payables	**84,561**	53,976	**15,866**	15,688
Advances from customers	**48,130**	48,157	—	—
Accruals	**300,679**	139,567	**39,089**	23
	433,370	241,700	**54,955**	15,711

The above balances are non-interest-bearing and repayable on demand.

28. PROVISION

Group

	Product warranties and liabilities (HK$'000)
Balance at 1 January 2013	11,722
Additional provision	5,217
Amounts utilised	(8,708)
Translation adjustments	310
Balance at 31 December 2013 and 1 January 2014	8,541
Additional provision	18,161
Addition from acquisition	60,059
Amounts utilised	(11,639)
Translation adjustments	(174)
Balance at 31 December 2014	74,948
Portion classified as current liabilities	21,088
Non-current portion	53,860

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.

In addition, the Group estimated future cash outflows in relation to the indemnity provided to its customers for damages or injuries caused in connection with the use of the Group's sold products. The amount of cash outflows is estimated based upon an annual review by management of the Group with pattern of past experience how the Group discharges its obligation.

29. INTEREST-BEARING BANK BORROWINGS

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

29. INTEREST-BEARING BANK BORROWINGS (Continued)

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

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

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

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

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

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

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

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29. INTEREST-BEARING BANK BORROWINGS (Continued)

	Group	
	2014 (HK$'000)	2013 (HK$'000)
Analysed into:		
Bank loans repayable:		
Within one year	**1,496,078**	447,239
In the second year	**1,673**	—
In the third year to fifth year, inclusive	**228,133**	—
Beyond fifth year	**532,312**	—
	2,258,196	447,239

30. DEFINED BENEFIT PLAN LIABILITIES

(1) ERA plan

The Group operates a defined benefit plan named Evenflo Retirement Account plan ("ERA Plan") in the United States. This non-contributory DRA Plan was frozen with effect from 31 August 2002 and no further benefit credits were earned after 31 July 2002. No new employees have been added to the ERA Plan since this date. For benefits earned prior to this date, the plan provides employees with pension benefits that are either based on age and compensation or are based on stated amounts for each year of service.

ERA Plan is a final salary plan, which requires contributions to be made to a separately administered fund. The plan has the legal form of a foundation and it is administrated by independent trustees with the assets held separately from those of the Group. The trustees are responsible for the determination of the investment strategy of the plan.

The trustees review the level of funding in the plan by the end of each reporting period. Such a review includes the asset-liability matching strategy and investment risk management policy. This includes employing the use of annuities and longevity swaps to manage the risks. The trustees decide the contribution based on the results of the annual review. The investment portfolio targets a mix of 60-65% in equity and property and 35-40% in debt instruments.

The plan is exposed to interest rate risk, the risk of changes in the life expectancy for pensioners and equity market risk.

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligations were carried out at 31 December 2014 by an independent actuarial, a member of the Society of Actuaries in the United States, using the projected unit credit actuarial valuation method.

30. DEFINED BENEFIT PLAN LIABILITIES (Continued)

(1) ERA plan (Continued)

The principal actuarial assumptions used as at the end of the reporting period are as follows:

	2014
Discount rate (%)	**3.6%**

The actuarial valuation showed that the market value of plan assets was HK$116,230,000 and that the actuarial value of these assets represented 98% of the benefits that had accrued to qualifying employees. The deficiency of HK$2,629,000 is expected to be cleared over the remaining weighted average duration of the benefit obligation of 9.51 years.

A quantitative sensitivity analysis for the significant assumption as at the end of the reporting period is shown below:

	Increase in rate %	**Increase/ (decrease) in defined benefit obligations (HK$'000)**	**Decrease in rate %**	**Increase/ (decrease) in defined benefit obligations (HK$'000)**
2014				
Discount rate	**0.5**	**(5,172)**	**0.5**	**5,645**

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in the key assumption occurring at the end of the reporting period.

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30. DEFINED BENEFIT PLAN LIABILITIES (Continued)

(1) ERA plan (Continued)

The total expenses recognised in the consolidated statement of profit or loss in respect of the plan are as follows:

	2014 (HK$'000)
Interest cost	404
Net benefit expenses	404
Recognised in administrative expenses	404
	404

The movements in the present value of the defined benefit obligations are as follows:

	2014 (HK$'000)
Assets at 1 January	—
Addition from acquisition	(113,182)
Interest cost	(1,815)
Benefit paid	2,947
Remeasurement effects recognised in OCI	(6,728)
Exchange differences on a foreign plan	(81)
Liabilities at 31 December	(118,859)

30. DEFINED BENEFIT PLAN LIABILITIES (Continued)

(1) ERA plan (Continued)

The movements in the defined benefit obligations and the fair value of plan assets are as follows:

2014

		Cost charged to profit or loss				Remeasurement gains/(losses) in other comprehensive income						
	1 January 2014 HK$'000	Addition from acquisition HK$'000	Net interest expense/ (inventment income) HK$'000	Sub-total included in profit or loss HK$'000	Benefit paid HK$'000	Return on plan assets (excluding amounts included in net interest expense) HK$'000	Actuarial changes arising from changes in demographic assumptions HK$'000	Actuarial changes arising from changes in financial assumptions HK$'000	Experience adjustments HK$'000	Sub-total included in other comprehensive income HK$'000	Exchange differences HK'000	31 December 2014 HK$'000
Defined benefit obligations	–	(113,182)	(1,815)	(1,815)	2,947	–	(6,359)	(1,388)	1,019	(6,728)	(81)	(118,859)
Fair value of plan assets	–	117,724	1,411	1,411	(2,947)	(39)	–	–	–	(39)	81	116,230
Benefit liability	–	4,542	(404)	(404)	–	(39)	(6,359)	(1,388)	1,019	(6,767)	–	(2,629)

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30. DEFINED BENEFIT PLAN LIABILITIES (Continued)

(1) ERA plan (Continued)

The major categories of the fair value of the total plan assets are as follows:

	2014 (HK$'000)
Equity instruments, quoted in an active market	**77,006**
Debt instruments	**35,447**
Cash and cash equivalents	**3,777**

The average duration of the defined benefit obligations at the end of the reporting period were 9.51 years.

(2) Post-retirement benefit obligations

Post-retirement healthcare and life insurance benefits are provided for U.S. retired employees and their dependents. Substantially all of the Group's U.S. employees may become eligible for those benefits if they reach the normal retirement age while working for the Company. The Group does not fund retiree healthcare benefits in advance and has the right to modify these plans in the future. There have been no changes in the plan provisions in 2014.

Key assumptions used in the accounting for postretirement benefits are summarized below.

	2014
Discount rate (%)	**3.5%**
Current healthcare cost trend rate (%)	**7.5%**
Ultimate healthcare cost trend rate (%)	**5.0%**

30. DEFINED BENEFIT PLAN LIABILITIES (Continued)

(2) Post-retirement benefit obligations (Continued)

A quantitative sensitivity analysis for significant assumptions as at the end of the reporting period is shown below:

	Increase in rate %	Increase/ (decrease) in defined benefit obligations (HK$'000)	Decrease in rate %	Increase/ (decrease) in defined benefit obligations (HK$'000)
2014				
Discount rate	0.5	(450)	0.5	489
Healthcare trend rate	1.0	264	1.0	(333)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The total expenses recognised in the consolidated statement of profit or loss in respect of the plan are as follows:

	2014 (HK$'000)
Interest cost	171
Net benefit cost	171
Recognised in administrative expenses	171

30. DEFINED BENEFIT PLAN LIABILITIES (Continued)

(2) Post-retirement benefit obligations (Continued)

The movements in the present value of the defined benefit obligations are as follows:

	2014 (HK$'000)
At 1 January	—
Acquisition of subsidiaries	**(10,704)**
Interest cost	**(171)**
Remeasurement effects recognised in OCI	**256**
Benefits paid directly by the Group	**78**
Exchange differences on a foreign plan	**(10)**
At 31 December	**(10,551)**

The movements in the defined benefit obligations and the fair value of plan assets are as follows:

2014

		Cost charged to profit or loss				Remeasurement gains/(losses) in other comprehensive income					
	1 January 2014 HK$'000	Addition from acquisition HK$'000	Net interest expense HK$'000	Sub-total included in profit or loss HK$'000	Benefit paid HK$'000	Actuarial changes arising from changes in demographic assumptions HK$'000	Actuarial changes arising from changes in financial assumptions HK$'000	Experience adjustments HK$'000	Sub-total included in other comprehensive income HK$'000	Exchange differences HK$'000	31 December 2014 HK$'000
Benefit obligations	–	(10,704)	(171)	(171)	78	(752)	527	481	256	(10)	(10,551)
Benefit liability	–	(10,704)	(171)	(171)	78	(752)	527	481	256	(10)	(10,551)

31. 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$'000)	Depreciation (HK$'000)	Insurance deposit (HK$'000)	Pension and post-retirement benefits (HK$'000)	Foreign tax credit (HK$'000)	Others (HK$'000)	Total (HK$'000)
As at 1 January 2013	96	3,369	2,015	9,153	–	–	–	–	–	–	14,633
Credited/(charged) to profit or loss (note 12)	1	857	(567)	(1,109)	242	308	–	–	–	–	(268)
Translation adjustments	3	118	56	278	–	–	–	–	–	–	455
As at 31 December 2013 and 1 January 2014	100	4,344	1,504	8,322	242	308	–	–	–	–	14,820
Acquisition of subsidiaries	473	–	–	41,593	419	381	1,480	2,232	70	1,686	48,334
Credited/(charged) to profit or loss (note 12)	1,646	980	(244)	(13,242)	4,331	1,620	–	(2,016)	(70)	(901)	(7,896)
Translation adjustments	5	(15)	(7)	(733)	423	(408)	1	1		23	(710)
As at 31 December 2014	2,224	5,309	1,253	35,940	5,415	1,901	1,481	217	–	808	54,548

The Group has tax losses arising in Mainland China of HK$12,288,000 (12,288,000 (2013: HK$969,000) that will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose.

The Group has tax losses arising in Germany of HK$11,908,000 (2013: nil) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

31. DEFERRED TAX (Continued)

Deferred tax liabilities - Group:

	Withholding tax on undistributed profits of the PRC subsidiaries (HK$'000)	Derivative financial instruments (HK$'000)	Inventory value difference (HK$'000)	Depreciation (HK$'000)	R&D expenses (HK$'000)	Other intangible assets (HK$'000)	Total (HK$'000)
At 1 January 2013	(18,578)	—	—	—	—	—	(18,578)
Translation adjustments	(581)	—	—	—	—	—	(581)
At 31 December 2013 and 1 January 2014	(19,159)	—	—	—	—	—	(19,159)
Addition from acquisition	—	—	(2,015)	(9,247)	(2,852)	(248,160)	(262,274)
(Charged)/credited to profit or loss (note 12)	—	(8,723)	913	8,491	2,854	5,763	9,298
Translation adjustments	65	684	86	(4)	(2)	17,194	18,023
At 31 December 2014	(19,094)	(8,039)	(1,016)	(760)	—	(225,203)	(254,112)

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, all of which are directly or indirectly controlled by GBHK, profits earned by the aforesaid subsidiaries in 2014 will not be appropriated to GBHK in 2015 and onwards. Hence, the 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 2014.

At 31 December 2014, 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$669,227,000 at 31 December 2014 (2013: HK$579,596,000).

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

31. 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	
	2014	2013
	(HK$'000)	(HK$'000)
Reflected in the consolidated statement of financial position:		
– Deferred tax assets	**20,249**	14,820
– Deferred tax liabilities	**(219,813)**	(19,159)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2014	2013
	(HK$'000)	(HK$'000)
Tax losses	**258,553**	—
Foreign tax credit	**37,180**	—
Provision	**26,790**	—
Post-retirement benefits	**4,820**	—
Others	**5,659**	—
	333,002	—

The above tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

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32. INVESTMENTS IN SUBSIDIARIES - COMPANY

	2014 (HK$'000)	2013 (HK$'000)
Unlisted equity investments, at cost	**8,805**	8,805
Less: Impairment of investments	**—**	—
	8,805	8,805

Particulars of the Company's subsidiaries are as follows:

Name of company	**Place and date of incorporation/ registration**	**Percentage of equity interest attributable to the Company**		**Paid in/ issued and fully paid share capital**	**Principal activities**
Subsidiaries		**Direct**	**Indirect**		
Goodbaby (Hong Kong) Limited ("GBHK")	Hong Kong 23 July 1999	100%	—	HK$1,000	Investment holding and sales agent company
Goodbaby Children's Products, Inc. ("GCPI")	The United States of America ("US") 16 May 2002	—	100%	US$200,000	R&D services, preliminary product design
Goodbaby Child Products Co., Ltd. ("GCPC")	The People's Republic of China ("PRC") 18 November 1994	—	100%	US$52,000,000	Manufacturing, distribution and sale of safety belts, cloth sets, car safety seats, car components for children, infant strollers and bicycles
Ningbo Goodbaby Child Products Co., Ltd. ("GCPN")	PRC 9 September 1996	—	85%	RMB10,000,000	Manufacturing, distribution and sale of child cloth beds, infant strollers, bath chairs for children and stadium chairs
Paragon Child Product Co.,Ltd ("PCPC")	PRC, 2009	—	100%	RMB10,000,000	Manufacturing, distribution and sale of bicycles, sports utilities, e-cars and wooden products.
Pingxiang Goodbaby Child Products Co., Ltd ("GCPX")	PRC 26 December 2011	—	100%	RMB2,000,000	Manufacturing, distribution and sale of child cloth beds, infant strollers, bath chairs for children and stadium chairs
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 for risk valuation of products quality

32. INVESTMENTS IN SUBSIDIARIES - COMPANY (Continued)

Particulars of the Company's subsidiaries are as follows: (Continued)

Name of company	Place and date of incorporation/ registration	Percentage of equity interest attributable to the Company		Paid in/ issued and fully paid share capital	Principal activities
Subsidiaries		**Direct**	**Indirect**		
Kunshan Cybex Goodbaby Child Products Co., Ltd. ("Kunshan Cybex")*	PRC, 5 August 2014		100%	US$ 100,000	Development of infanct strollers, bicycles, child car-seats, child carrying systems, pushchairs, high chairs and other products for children as well as R&D services and technical consulting service
Hanchuan Goodbaby Child Products Co., Ltd ("GCHC")	PRC 8 July 2014	—	100%	RMB1,000,000	Manufacturing, distribution and sale of child cloth beds, infant strollers, bath chairs for children and stadium chairs
Goodbaby Japan Co., Ltd. ("GBJP")	Japan, 2008	—	100%	JPY3,000,000	R&D services, preliminary product design
Turnkey Design Cooperative U.A. ("GBNH")	Netherlands, 2008	1%	99%	EUR100	Investment holding
Turnkey Design B.V. ("GBNE")	Netherlands, 2008	—	100%	EUR 18,000	R&D services, preliminary product design
Goodbaby Europe Holdings Limited ("GEHL")	Cayman Island, 3 January 2014	—	100%	HK$ 8	Investment holding
Goodbaby (Europe) Group Limited ("GEGL")	Hong Kong, 9 January 2014	—	100%	HK$ 1	Investment holding
Goodbaby (Europe) Management Gmbh ("GEMG")	Germany, 29 January 2014	—	100%	EUR 25,000	Purchase, sale, possession and management of holding companies including activities relating to Goodbaby (Europe) Gmbn & Co KG
Goodbaby (Europe) Gmbh & Co KG ("GEGC")	Germany, 28 January 2014	—	100%	EUR 100	Purchase, sale, holding and management of participating interests and development and production of child car-seats, strollers, child carrying systems, pushchairs, high chairs and other products for children
Columbus Holding Gmbh ("CBCH")	Germany, 14 April 2014	—	100%	EUR 125,000	Design and sales of juvenile products

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32. INVESTMENTS IN SUBSIDIARIES - COMPANY (Continued)

Particulars of the Company's subsidiaries are as follows: (Continued)

Name of company	Place and date of incorporation/ registration	Percentage of equity interest attributable to the Company		Paid in/ issued and fully paid share capital	Principal activities
Subsidiaries		**Direct**	**Indirect**		
Cybex Industrial Limited ("CBHK")	Hong Kong, 8 March 2005	—	100%	US$ 1670.97	Development and distribution of safety, innovative and lifestyle-oriented products in the baby and nursery sector
Goodbaby (Europe) Management Gmbh ("GEMG")*	Germany, 29 January 2014	—	100%	EUR 25,000	Purchase, sale, possession and management of holding companies including activities relating to Goodbaby (Europe) Gmbn & Co KG
Magellan Holding GmbH ("MHGH")	Germany, 2 June 2014	—	100%	EUR 25,000	Investment holding
Goodbaby US Holdings, Inc. ("GBUH")	U.S., 16 May 2014	—	100%	US$ 1	Investment holding
Serena Merger Co., Inc. ("SERE")	U.S., 16 May 2014	—	100%	US$1,000	Investment holding
WP Evenflo Holdings, Inc. ("WPEF")	U.S., 25 June 2004	—	100%	US$10	Investment holding
Evenflo Company, Inc. ("EFCD")	U.S. 1 October, 1992	—	100%	US$86,500	Manufacture of baby care products
Evenflo Company Holdings, LLC ("EFCO")	U.S. 25 January, 2012	—	100%	N/A	Manufacture of baby care products
Muebles Para Ninos De Baja, S.A. De C.V. ("EFMX")	Mexico 29 June, 1987	—	100%	Peso1,720,000	Manufacture of baby care products
Lisco Feeding, Inc. ("LSFE")	U.S. 1 September 1994	—	100%	US$ 1	Manufacture of baby care products
Lisco Furniture, Inc. ("LSFU")	U.S. 1 September 1994	—	100%	US$ 1	Manufacture of baby care products
Evenflo (Philippines) Inc. ("EFPI")	Philippines 6 April 1970	—	100%	Peso6,000,000	Manufacture of baby care products
Evenflo Canada Inc. ("EFCA")	Canada, 18 March 1991	—	100%	US$ 7,000	Manufacture of baby care products
Evenflo Asia, Inc. ("EFAI")	U.S. 15 December 2004	—	100%	US$ 1	Manufacture of baby care products
Evenflo Europe SARL ("EFEU")	France 2 January 1997	—	100%	Francs50,000	Manufacture of baby care products

(i) GCPC and PCPC are registered as wholly-foreign-owned enterprises established under PRC law.

32. INVESTMENTS IN SUBSIDIARIES - COMPANY (Continued)

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of HK$1,240,112,000 (2013: HK$1,227,751,000) and HK$18,986,000 (2013: HK$301,568,000), respectively, are unsecured, interest-free and are repayable on demand or within one year.

33. SHARE CAPITAL

	Number of shares		Amount	
	2014	2013	**2014**	2013
	('000)	('000)	**(HK$'000)**	(HK$'000)
Authorised:				
Ordinary shares of HK$0.01 each	**50,000,000**	50,000,000	**500,000**	500,000

	Number of shares in issue	Issued capital
		(HK$'000)
Issued and fully paid:		
At 1 January 2014	1,005,409,000	10,054
Issue of shares (note(i))	95,460,700	955
Share options exercised (note(ii))	102,000	1
At 31 December 2014	1,100,971,700	11,010

Notes:

(i) As described in note 4, on 27 January 2014, the Group acquired the entire issued share capital in Columbus Holding GmbH 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).

95,460,700 new shares were issued to the Sellers on 30 January 2014. If no claims (any claim under or in connection with the aforesaid agreement) have been notified to the Sellers' representatives by 18 months following the completion date (as defined in the aforesaid agreement), the remaining 4,539,300 shares will be allotted and issued to the Sellers on the date which is 18 months following the completion date.

(ii) The subscription rights attached to 102,000 share options were exercised at the subscription price of HK$2.12 per share, resulting in the issue of 102,000 shares of HK$0.01 each for a total cash consideration, before expenses, of HK$1,020.

Details of the Group's share option scheme and the share options issued under the scheme are included in note 34 to the financial statements.

33. SHARE CAPITAL (Continued)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue ('000)	Share capital (HK$'000)	Share premium (HK$'000)	Total (HK$'000)
At 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 14)	—	—	(47,625)	(47,625)
Difference between proposed and declared 2012 dividend	—	—	(238)	(238)
At 31 December 2013 and 1 January 2014	1,005,409	10,054	857,597	867,651
Issuance of shares	95,461	955	325,521	326,476
Share options exercised (note (a))	102	1	290	291
Difference between proposed and declared 2013 dividend	—	—	(2)	(2)
At 31 December 2014	1,100,972	11,010	1,183,406	1,194,416

Note:

(a) The subscription rights attached to 102,000 share options were exercised at the subscription price of HK$2.12 per share (note 34), resulting in the issue of 102,000 shares for a total cash consideration, before expenses, of HK$216,240. An amount of HK$75,000 was transferred from the share option reserve to share capital 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 34 to the financial statements.

34. SHARE OPTION SCHEME

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

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.

34. SHARE OPTION SCHEME (Continued)

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 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 and 1 January 2014	2.120	22,555
Granted during the year	3.580	53,420
Forfeited during the year	2.120	(16)
Exercised during the year	2.120	(102)
At 31 December 2014	3.148	75,857

The weighted average share price at the date of exercise for share options exercised during the year was HK$4.11 per share (2013: HK$4.16).

34. 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:

2014

Number of options '000	**Exercise price HK$ per share**	**Exercise period**
437	**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**
13,160	**3.580**	**29 September 2017 to 28 September 2024**
27,100	**3.580**	**29 September 2018 to 28 September 2024**
13,160	**3.580**	**29 September 2019 to 28 September 2024**
75,857		

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		

The Group recognised a share option expense of HK$10,528,000 (2013: HK$4,671,000) for the year ended 31 December 2014.

34. 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	**Share options granted on 29 September 2014**
Dividend yield (%)	2.00	**1.61**
Spot stock price (HK$ per share)	2.12	**3.40**
Historical volatility (%)	52.00	**38.40**
Risk-free interest rate (%)	1.11	**2.05**
Expected life of options (year)	6.00	**10**
Weighted average share price (HK$ per share)	2.12	**3.58**

Included in the newly granted share options in 2014, 1,390,000 share options were granted to Ms. Fu Jinqiu, who is the chairwoman of the Group's largest distributor in the Mainland China as well as one of the substantial shareholders of the Company. Since the fair value of services received by the Group from Ms. Fu Jinqiu cannot be estimated reliably, it was measured by reference to the fair value of the options granted which amounted to HK$1,625,000.

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 102,000 share options exercised during the year resulted in the issue of 102,000 ordinary shares of the Company and new share capital of HK$1,020 and share premium of HK$215,220 (before issue expenses), as further detailed in note 33 to the financial statements.

At the end of the reporting period, the Company had 75,857,000 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 75,857,000 additional ordinary shares of the Company and additional share capital of HK$758,570, and share premium of HK$238,051,470 (before issue expenses).

At the date of approval of these financial statements, the Company had 75,857,000 share options outstanding under the Scheme, which represented approximately 6.89% of the Company's shares in issue as at that date.

35. 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.

Deferred shares reserve

As stated in note 33 (i), pursuant to the sale and purchase agreement in relation to the acquisition of entire issued share capital in Columbus Holding GmbH as further detailed in note 4 above, 95,460,700 new shares were issued to the Sellers on 30 January 2014. If no claims (any claim under or in connection with the aforesaid agreement) have been notified to the Sellers' representatives by 18 months following the completion date (as defined in the aforesaid agreement), the remaining 4,539,300 shares will be allotted and issued to the Sellers on the date which is 18 months following the completion date.

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.

35. RESERVES (Continued)

(a) GROUP (Continued)

Statutory reserve funds (Continued)

(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.

Merger reserve

As at 31 December 2014, 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) 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.

35. RESERVES (Continued)

(b) COMPANY

	Share premium (HK$'000)	Deferred shares reserve (HK$'000)	Share option reserve (HK$'000)	Retained earnings (HK$'000)	Proposed final dividend (HK$'000)	Total (HK$'000)
As at 1 January 2013	890,044	—	9,752	—	50,000	949,796
Profit for the year	—	—	—	7,420	—	7,420
Difference between proposed and declared 2012 dividend	(238)	—	—	—	238	—
Share options exercised	15,416	—	(4,003)	—	—	11,413
Equity-settled share option arrangements	—	—	5,055	—	—	5,055
Proposed final 2013 dividend (note 14)	(47,625)	—	—	(7,420)	55,045	—
2012 dividend declared	—	—	—	—	(50,238)	(50,238)
Transfer of share option reserve upon the forfeiture or expiry of share options	—	—	(384)	—	—	(384)
As at 31 December 2013 and 1 January 2014	857,597	—	10,420	—	55,045	923,062
Loss for the year	—	—	—	(52,057)	—	(52,057)
Difference between proposed and declared 2013 dividend	(2)	—	—	—	2	—
Issuance of shares	325,521	—	—	—	—	325,521
Deferred shares	—	15,524	—	—	—	15,524
Share options exercised	290	—	(75)	—	—	215
2013 dividend declared	—	—	—	—	(55,047)	(55,047)
Equity-settled share option arrangements	—	—	10,528	—	—	10,528
As at 31 December 2014	1,183,406	15,524	20,873	(52,057)	—	1,167,746

36. OPERATING LEASE ARRANGEMENTS

Group as lessee

	2014 (HK$'000)	2013 (HK$'000)
Within one year	**55,699**	39,529
After one year but not more than five years	**93,307**	93,469
More than five years	**1,187**	15,153
	150,193	148,151

37. COMMITMENTS

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

	Group	
	2014 (HK$'000)	2013 (HK$'000)
Contracted, but not provided for, in respect of acquisition of:		
Property, plant and equipment	**1,779**	2,392

38. 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

38. 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:

	2014 (HK$'000)	2013 (HK$'000)
Sales of goods to a related party (note (a))		
GCCL#	**812,910**	583,977
Purchase of goods from a related party (note (b))		
GCCL#	**176**	621
Rental expense to a related party (note (c))		
GGPX#	**11,636**	4,650
GGCL#	**884**	878
	12,520	5,528
Expenses paid on behalf of related parties (note (d))		
GCCL#	**1,039**	1,160
SGCP#	**58**	78
	1,097	1,238
Expenses paid by a related party (note (d))		
BRKH#	**339**	345
Share option expenses		
Ms. Fu	**1,160**	—

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 was made according to the prices and terms agreed with the related party.

Note (c): The rental expense to a related party was paid 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.

38. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(c) Outstanding balance with a related party

GROUP

	2014 **(HK$'000)**	2013 (HK$'000)
Amount due from a related party:		
GCCL	**379,152**	235,717

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

(d) Compensation of key management personnel of the Group

	2014 **(HK$'000)**	2013 (HK$'000)
Short term employee benefits	**30,730**	27,359
Equity-settled share option expense	**1,244**	593
Post-employment benefits	**175**	358
Total compensation paid to key management personnel	**32,149**	28,310

Further details of directors' remuneration are included in note 10 to the financial statements.

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group

	Carrying amounts		**Fair values**	
	2014 **HK$'000**	2013 HK$'000	**2014** **HK$'000**	2013 HK$'000
Financial assets				
Derivative financial instruments	**26,797**	—	**26,797**	—
Available-for-sale investments	**206,389**	127,830	**206,389**	127,830
	233,186	127,830	**233,186**	127,830

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Group (Continued)

Management has assessed that the fair values of cash and cash equivalents, trade and notes receivables, financial assets included in prepayments, other receivables, time deposits, pledged time deposits, current interest-bearing bank loans, trade and notes payables, other liabilities, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments. The carrying amount of the non-current interest-bearing bank loans of the Group approximates to their fair value because the loans have a floating interest rate.

The finance manager of each subsidiary of the Group is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The Group finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with high credit ratings. Derivative financial instruments, i.e. forward currency contracts, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts are the same as their fair values.

As at 31 December 2014, the marked to market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the financial instruments recognised at fair value.

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Group (Continued)

Below is a summary of significant unobservable inputs to the valuation of wealth investment products together with a quantitative sensitivity analysis as at 31 December 2014 and 2013:

Financial instrument	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value of the input HK$'000
Available-for-sale investments	Discount cash flow method	Expected rate of return	2014: 2.45% to 3.80% (2013: 1.3% to 5.2%)	5% increase (decrease) in expected rate of return would result in increase (decrease) in fair value by HK$16 (HK$16) (2013:HK$46 (HK$46))

Fair value hierarchy

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

Assets measured at fair value:

Group

		Fair value measurement using		
	31 December 2014 (HK$'000)	Quoted prices in active markets Level 1 (HK$'000)	Significant observable inputs Level 2 (HK$'000)	Significant unobservable inputs Level 3 (HK$'000)
Financial assets at fair value through profit or loss				
– Forward currency contracts	26,797	—	26,797	—
Available-for-sale investments	206,389	—	—	206,389
	233,186	—	26,797	206,389

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Group (Continued)

	31 December 2013 (HK$'000)	Fair value measurement using: Quoted prices in active markets Level 1 (HK$'000)	Significant observable inputs Level 2 (HK$'000)	Significant unobservable inputs Level 3 (HK$'000)
Available-for-sale investments	127,830	—	—	127,830

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

	2014 (HK$'000)	2013 (HK$'000)
Available-for-sale investments		
At 1 January	**127,830**	123,335
Purchases	**3,254,717**	1,288,244
Disposals	**(3,176,068)**	(1,287,617)
Exchange realignment	**(90)**	3,868
	206,389	127,830

During the year ended 31 December 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The Company did not have any financial assets and liabilities measured at fair value as at 31 December 2013 and 2014.

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

		Fair value measurement using		
	31 December 2014 (HK$'000)	**Quoted prices in active markets Level 1 (HK$'000)**	**Significant observable inputs Level 2 (HK$'000)**	**Significant unobservable inputs Level 3 (HK$'000)**
Interest-bearing bank borrowings	**2,258,196**	—	**2,258,196**	—

		Fair value measurement using		
	31 December 2013 (HK$'000)	Quoted prices in active markets Level 1 (HK$'000)	Significant observable inputs Level 2 (HK$'000)	Significant unobservable inputs Level 3 (HK$'000)
Interest-bearing bank borrowings	447,239	—	447,239	—

40. 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 2014	Financial assets at fair value through profit of loss (HK$'000)	Available-for-sale financial assets (HK$'000)	Loans and receivables (HK$'000)	Total (HK$'000)
Trade and notes receivables	—	—	973,309	973,309
Financial assets included in prepayments and other receivables (note 22)	—	—	84,246	84,246
Due from a related party	—	—	379,152	379,152
Available-for-sale investments	—	206,389	—	206,389
Derivative financial instruments	26,797	—	—	26,797
Pledged time deposits	—	—	165,807	165,807
Time deposits	—	—	50,723	50,723
Cash and cash equivalents	—	—	434,661	434,661
	26,797	206,389	2,087,898	2,321,084

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 22)	—	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

40. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

GROUP (Continued)

Financial liabilities

As at 31 December 2014	Financial liabilities at amortised cost (HK$'000)
Financial liabilities included in other payables, advances from customers and accruals (note 27)	**84,561**
Trade and bills payables	**1,131,336**
Interest-bearing bank borrowings	**2,258,196**
	3,474,093

As at 31 December 2013	Financial liabilities at amortised cost (HK$'000)
Financial liabilities included in other payables, advances from customers and accruals (note 27)	53,976
Trade and bills payables	714,365
Interest-bearing bank borrowings	447,239
	1,215,580

40. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

COMPANY

Financial assets

As at 31 December 2014	Loans and receivables (HK$'000)
Financial assets included in prepayments and other receivables (note 22)	**7**
Due from subsidiaries	**1,240,112**
Cash and cash equivalents	**1,192**
	1,241,311

As at 31 December 2013	Loans and receivables (HK$'000)
Financial assets included in prepayments and other receivables (note 22)	6
Due from subsidiaries	1,227,751
Cash and cash equivalents	12,223
	1,239,980

40. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

COMPANY (Continued)

Financial liabilities

As at 31 December 2014	**Financial liabilities at amortised cost (HK$'000)**
Financial liabilities included in other payables, advances from customers and accruals (note 27)	**15,866**
Due to a subsidiary	**18,986**
	34,852

As at 31 December 2013	Financial liabilities at amortised cost (HK$'000)
Financial liabilities included in other payables, advances from customers and accruals (note 27)	15,688
Due to a subsidiary	301,568
	317,256

41. 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 risk 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 29.

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 2014	**+5%/-5%**	**(2,406)/2,406**
Year ended 31 December 2013	+5%/-5%	(341)/341

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.

41. 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 Group manages its foreign currency risk by entering into foreign currency forward contracts to hedge its exposure to fluctuations on the translation into EUR of its foreign operations of sales in US$, as described in note 25. It is the Group's policy to ensure that the net exposure is kept to an acceptable level by buying or selling foreign currencies at a fixed rate where necessary to address short term imbalances. The management will continue to monitor foreign exchange exposure and will continue to consider hedging significant foreign currency exposure by using financial instruments such as foreign currency forward contracts.

The operating units' functional currencies of the Group are RMB, EUR and United States dollar ("US$"), while the currency which has significant transactional currency exposure is US$. 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$'000)
Year ended 31 December 2014		
If US$ strengthens against RMB	**5%**	**9,307**
If US$ weakens against RMB	**-5%**	**(9,307)**
If US$ strengthens against EUR	**5%**	**141**
If US$ weakens against EUR	**-5%**	**(141)**
Year ended 31 December 2013		
If US$ strengthens against RMB	5%	13,737
If US$ weakens against RMB	-5%	(13,737)
If US$ strengthens against EUR	5%	immaterial
If US$ weakens against EUR	-5%	immaterial

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

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 and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

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

At the end of the reporting period, the Group had certain concentrations of credit risk as 23% (2013: 37%) of the Group's trade receivables were due from the Group's largest customer.

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.

41. 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 2014	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	—	884,664	643,100	859,793	2,387,557
Trade and bills payables	973,967	157,369	—	—	1,131,336
Other payables	84,561	—	—	—	84,561
	1,058,528	1,042,033	643,100	859,793	3,603,454

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 bills payables	609,094	105,271	—	—	714,365
Other payables	53,976	—	—	—	53,976
	663,070	338,951	214,035	—	1,216,056

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

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 2014	**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	**15,866**	—	—	—	**15,866**
Amount due to a subsidiary	**18,986**	—	—	—	**18,986**
	34,852	—	—	—	**34,852**

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

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.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

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	
	2014 (HK$'000)	2013 (HK$'000)
Trade and bills payables	**1,131,336**	714,365
Other payables, advances from customers and accruals	**433,370**	241,700
Interest-bearing bank borrowings	**2,258,196**	447,239
Less: Cash and cash equivalents	**(434,661)**	(608,299)
Net debt	**3,388,241**	795,005
Equity attributable to owners of the parent	**2,296,904**	1,996,881
Capital and net debt	**5,685,145**	2,791,886
Gearing ratio	**60%**	28%

42. EVENT AFTER THE REPORTING PERIOD

In December 2014, the Group entered into a share sale and transfer agreement (the "Agreement") in relation to the shareholding in NICAM A/S (the "Target"), a third party distributor company based in Denmark, and pursuant to the Agreement, the Group would acquire 70% of the shares of the Target (the "Transaction") for a total purchase consideration of EUR3,710,000 (equivalent to HK$35,568,702) of which the completion is still subject to the closing conditions of the Agreement.

The Target is mainly engaged in the trade of car seats, strollers and baby carriers and other goods, equipment and services for infants, babies children and parents. The acquisition was completed on January 2015, upon fulfillment of the conditions stipulated in the Agreement and the Target became an indirect non wholly-owned subsidiary of the Group.

The Group is in the process of assessing the initial accounting for the acquisition and will incorporate the relevant financial information in FY2015 interim and annual financial statements.

43. COMPARATIVE AMOUNTS

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

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2015.

FIVE YEAR 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.

	Year ended 31 December				
	2014 (HK$'000)	2013 (HK$'000)	2012 (HK$'000)	2011 (HK$'000)	2010 (HK$'000)
RESULTS					
CONTINUING OPERATIONS					
Revenue	**6,115,592**	4,188,794	4,554,462	3,941,672	3,721,908
Cost of sales	**(4,588,057)**	(3,228,205)	(3,682,571)	(3,267,990)	(2,979,349)
Gross profit	**1,527,535**	960,589	871,891	673,682	742,559
Other income and gains	**97,147**	48,593	54,030	106,109	32,851
Selling and distribution expenses	**(777,464)**	(446,969)	(359,350)	(241,892)	(246,002)
Administrative expenses	**(699,180)**	(359,971)	(343,270)	(330,497)	(245,505)
Share of losses of a joint venture	**(31)**	(22)	(30)	—	—
Other expenses	**(3,234)**	(10,056)	(3,381)	(5,729)	(20,593)
Operating profit	**144,773**	191,164	219,890	201,673	263,310
Finance income	**8,606**	10,590	7,910	3,749	1,163
Finance costs	**(48,110)**	(6,826)	(11,897)	(11,617)	(18,341)
Profit before tax from continuing operations	**105,269**	194,928	215,903	193,805	246,132
Income tax expense	**(47,545)**	(23,799)	(32,780)	(16,117)	(42,942)
Profit for the year from continuing operations	**57,724**	171,129	183,123	177,688	203,190
DISCONTINUED OPERATIONS					
Loss after tax for the year from discontinued operations	**—**	—	—	—	(52,237)
Profit for the year	**57,724**	171,129	183,123	177,688	150,953

FIVE YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2014	2013	2012	2011	2010
	(HK$'000)	(HK$'000)	(HK$'000)	(HK$'000)	(HK$'000)
Attributable to:					
Owners of the parent	**57,475**	171,213	181,207	176,915	150,925
Non-controlling interests	**249**	(84)	1,916	773	28
	57,724	171,129	183,123	177,688	150,953
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**6,492,732**	3,463,668	3,191,679	3,171,239	3,009,887
Total liabilities	**(4,165,072)**	(1,436,176)	(1,339,550)	(1,463,791)	(1,469,010)
Non-controlling interests	**(30,756)**	(30,611)	(29,766)	(27,846)	(25,778)
	2,296,904	1,996,881	1,822,363	1,679,602	1,515,099


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