

2015 Interim Report





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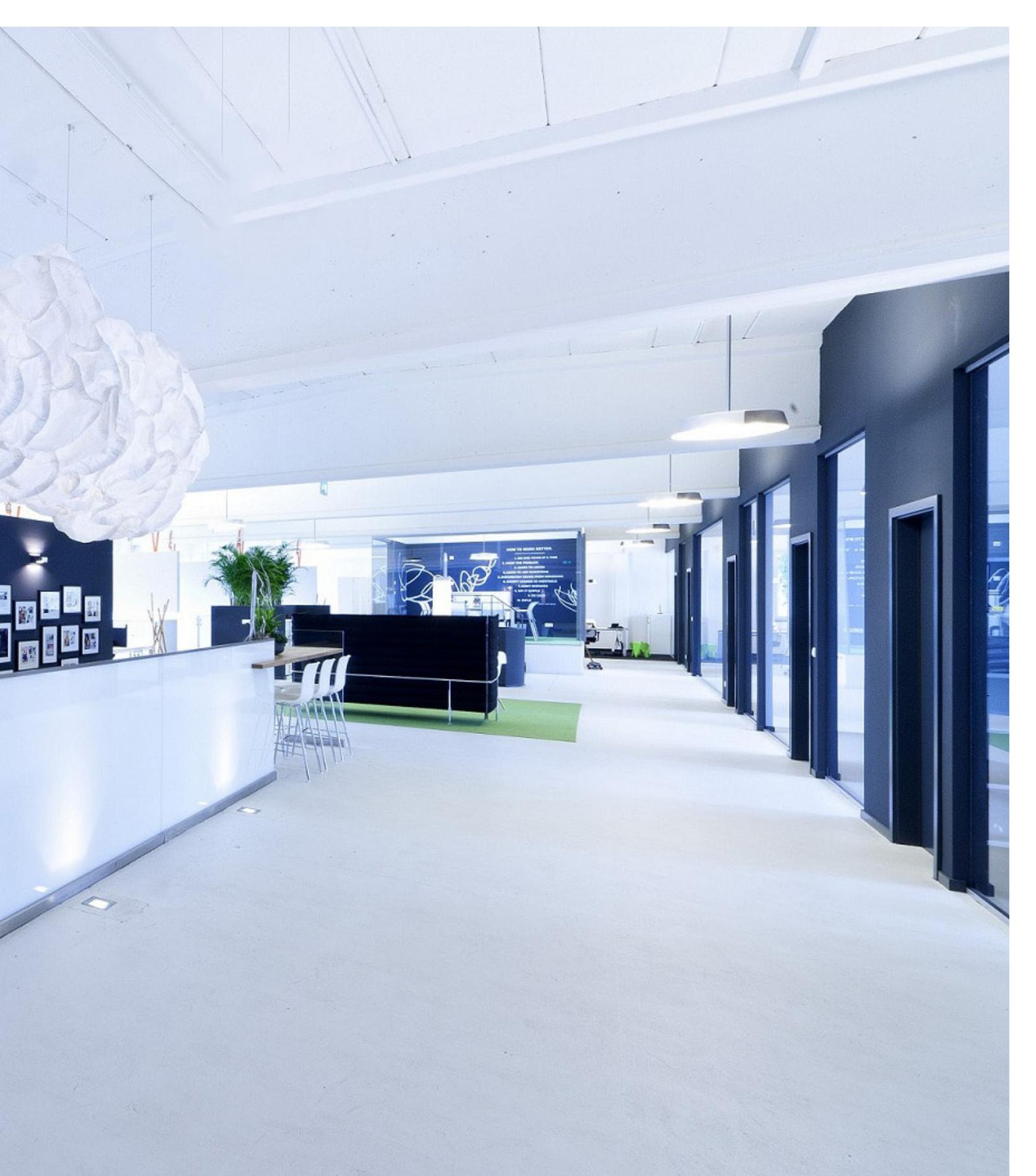
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Corporate Information

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Song Zhenghuan
(Chairman & Chief Executive Officer)

Mr. Wang Haiye
(Vice President)

Mr. Martin Pos
(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

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Hong Kong

LEGAL ADVISOR

As to Hong Kong law

Sidley Austin

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CORPORATE INFORMATION (CONTINUED)

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Ms. Ho Siu Pik

AUTHORIZED REPRESENTATIVES

Mr. Song Zhenghuan
Ms. Ho Siu Pik

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Goodbaby
International



Management Discussion & Analysis

MANAGEMENT DISCUSSION AND ANALYSIS

SUCCESSFULLY UPGRADED BUSINESS MODEL WHILST REALISING SYNERGIES FROM INTEGRATION OF CYBEX AND EVENFLO

During the first half of 2015, the Group has successfully transformed from an OPM driven business to a brand driven business. As a result of implementing a 'One Dragon Vertically Integrated Business Model', the Group's acquired business, CYBEX and Evenflo developed rapidly, ahead of schedule, whilst the Existing Business¹ remained stable.

During the first half of 2015, the Group realized revenue of approximately HK\$3,684.4 million, increased by approximately 39.5% as compared to the corresponding period of last year. Revenue from Acquired Business² was approximately HK\$1,489.2 million, representing an increase of approximately 31.1% year-on-year on pro forma basis. Revenue from the Existing Business was approximately HK\$2,195.2 million, decreased by approximately 5.6% on a year-on-year basis. During the period, total revenue from the Group's own brands and Private Label business³ was approximately HK\$2,716.7 million, representing approximately 73.7% (58.0% in 1st half of 2014) of the Group's total revenue during the period); operating profit realized by the Group was approximately HK\$153.1 million, increased by approximately 26.1% as compared to the corresponding period last year; net profit realized by the Group was approximately HK\$91.4 million, increased by 2.3% as compared to the

corresponding period last year due to an increase in finance costs incurred by the Group for increased bank loan as a result of the acquisitions and an increase in income tax expenses caused by higher income tax rate of Acquired Business.

1. CYBEX achieved record growth

During the first half of 2015, CYBEX's revenues increased by a record of approximately 97.2% in its functional currency to €67.5 million. Rapid growth was fuelled by product innovation in car seats and strollers as a result of the synergies achieved through integration of CYBEX into the Group. CYBEX car seats collected four test winner accolades for the Cloud Q, Pallas M-Fix, Solution and Solution M-Fix in the prestigious independent German consumer testing organization Stiftung Warentest, which continues to drive sales volumes. Explosive growth in strollers came as the CYBEX PRIAM stroller launched in all key territories globally, and quickly became the choice of international celebrities. The launch of the PRIAM was quickly followed by the global introduction of a further six strollers and accessories.

Revenues was driven through twelve wholly owned sales offices in Europe, Asia and America, as well as specialist distributors meaning that CYBEX products are available in over 100 countries, making the Brand globally recognized. A new direct distribution sales office was opened in America and quickly scored a major success by securing a rollout of the Brand in all Buy Buy Baby premium baby stores in the USA.

¹ Existing Business refers to the Group's business which had been under operation at the time of merger and acquisition of CYBEX and Evenflo.

² Acquired Business refers to the Group's acquired business of CYBEX and Evenflo.

³ Private Label Business refers to the Group's business under which sales are made directly to retailers and brands are owned by retailers.

2. Evenflo recovery ahead of plan

During the first half of 2015, Evenflo reversed several years of stagnant trading and losses in operating profit, increasing revenue by approximately 17.4% in its functional currency to US\$116.9 million, whilst achieving profit at operating profit level ahead of plan. In early 2015, the executive management of Evenflo was replaced with experienced industry specialists, and a rapid product innovation strategy has been implemented. Taking advantage of the synergies in the design and development of strollers from the Group's Boston design office, new placements were secured. At the same time, cost reductions have been implemented as a result of group shared services. Evenflo launched a major technical innovation in car seats to national acclaim. The sensorsafe embrace infant car seat uses modern technology to remind parents not to leave babies in a car unattended and if the harness has become unlocked during travel.

3. Orders from the Group's largest Blue-chip customer declines - offset by increases in revenue from other Blue-chip customers and internal orders from CYBEX and Evenflo

In the first half of 2015, the Group recorded revenue of approximately HK\$304.9 million from its largest Blue-chip customer, representing a decrease of approximately HK\$284.8 million as compared to that of HK\$589.7 million recorded during the corresponding period last year. During the period, the Group's revenue from other

Blue-chip customers was approximately HK\$662.8 million, representing an increase of approximately HK\$144.0 million as compared to that of HK\$518.8 million recorded during the corresponding period last year. At the same time, orders from CYBEX and Evenflo increased rapidly, amounting to approximately HK\$284.2 million. As result, the decline in orders from our largest Blue-chip customer was effectively offset.

4. In China, the Group realized persistent rapid growth in online channels, while it continues to enhance and develop its offline channels

During the first half of 2015, the Group's revenue from the China market was approximately HK\$875.1 million, representing an increase of approximately 4.4% on a year-on-year basis. The Group's sales to online channels realized revenue of approximately HK\$246.9 million, accounting for 28.2% of the total revenue from the China market and representing an increase of approximately 36.4% on a year-on-year basis, while revenue realized by our sales to offline channels was approximately HK\$628.2 million, accounting for approximately 71.8% of the total revenue from the China market and representing a decrease of approximately 4.5% on a year-on-year basis.

During the first half of 2015, the Group further enhanced its in-depth management over offline third-party retail outlets. During the period, the Group optimized, enhanced and strengthened its operations in the 'gb e-Family' stores.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

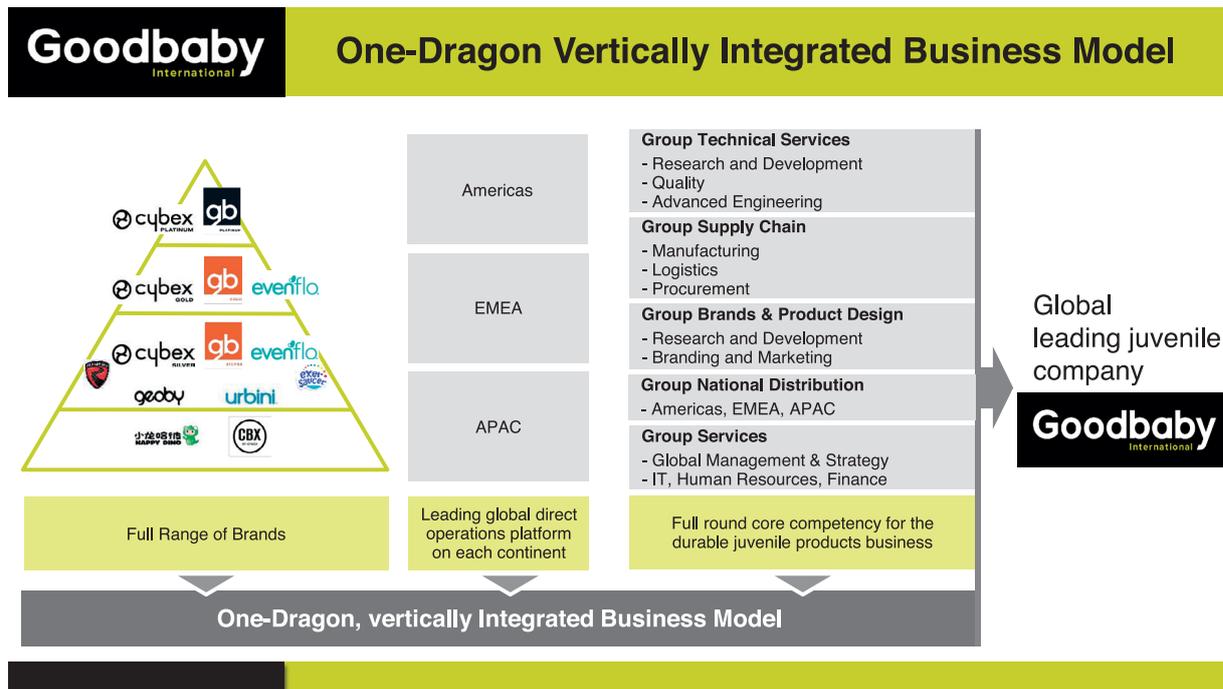
As of the end of the period, 332 stores were retained after consolidation and optimization and the Group's products' performance in these stores was improved and enhanced. During the period, sales to 'gb e-Family' stores contributed revenue of approximately HK\$116.1 million to our Group. During the first half of 2015, the Group continued to develop stores under 'tripartite agreements'. As of the end of the period, 2,665 stores had entered into tripartite agreements with the Group, representing an increase of 876 stores as compared to the end of 2014. During the period, sales to stores under tripartite agreements contributed revenue of approximately HK\$130.7 million to the Group. In addition, during the first half of 2015, the Group had also further reinforced optimization and management on retail outlets in the department stores, revenue of approximately HK\$173.0 million was contributed by the department store channel during the period, increased by 5.8% as compared to the corresponding period last year. Through these measures, the Group had effectively alleviated the decline in offline sales as a result of a general depression in the offline retail market in China, and 66.7% of the Group's revenue from offline channels during the period was generated from retail outlets where we have in-depth management.

During the first half of 2015, the Group further developed emerging e-commerce platforms, such as vipshop.com and beibei.com, while continued to reinforce the existing online channels (including the top 5 E-commerce retail platforms in China such as Taobao and JD.com). During the period, distribution through Wechat platform was also developed. The marketing approach also changed quickly from a segregated development of online and offline channels to O2O model of integrated online and offline channels.

5. Existing Business of own-brand and Private Label in overseas markets generally stable

Group sales from Existing Business of own-brand and Private Label realized revenue of approximately HK\$352.4 million, representing a year-on-year decrease of approximately 7.0%, which was mainly caused by decrease of revenue from Russia market due to the situation in Ukraine and depreciation of Rouble but was offset by increase of revenue from US market.

6. Group Synergies achieved by One Dragon Business Model



The Group has, continued to implement the 'One Dragon Vertically Integrated Business Model' and are ahead of plan. In the first six months of 2015, the Group has rationalized and consolidated its business taking advantage of group synergies and the reorganization of new business silo structure.

— Group Leadership Team

Since December 2014, the Group has restructured the important functions of executive directors of the Company and, in the last six months, the Group has continued to streamline and reinforce its senior management team. During the period, the Company appointed Mr. Tim Maule as Chief Commercial Officer and Mr. Greg Mansker as Chairman and Chief Executive Officer of American Markets (refers to North America and Latin America markets). Setup and development of leadership team of the new Group with multi-continental culture has been going very smoothly and far ahead of its original plan.

— Research & Development

The Group has consolidated its Research & Development offices in Utrecht into Bayreuth, Germany and closed its Utrecht office. In Asia, the Group has consolidated its Research & Development in Hong Kong into Kunshan and closed the Hong Kong Research & Development centre. Research & Development in the USA has been focusing on car seats in Ohio and on Strollers in Boston, eliminating duplication, and led centrally by the Group's Executive Director Group Brand portfolio.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

— **Supply Chain**

In the first half of 2015, the Group has enhanced its China Production leadership by appointing Mr. Franki Tse as CEO China Production. Under the new leadership of the CEO China Production, the Group has successfully grown production volumes to support the rapid growth of CYBEX in the first 6 months of 2015, whilst continuing to successfully serve the production needs of all other customers. To further upgrade the Group's worldwide production to world class, the Group has also recruited an experienced SVP Group Production who has in-depth management experience in production of car industry and will join the Group in late 2015. In addition, through group synergies, the Group has been able to close one administrative office in Hong Kong improving efficiency and management of supply chain in Asia.

— **Group National Distribution**

In the first six months of 2015, the Group has reorganized its sales and marketing organisation putting the requirements of customers first. In each region, EMEA (refers to Europe, middle East and Africa), APAC (refers to Asia Pacific region) and Americas (refers to North America and Latin America), the Group now have one central direct distribution office responsible for sales and marketing of all Group brands led centrally by its Chief Commercial Officer. Our office in Boston leading for the Americas, office in Bayreuth in Germany leading for EMEA and office in Kunshan in China leading for APAC, will be the final objectives of the integration underway, with the benefit to customers being a regional approach to the sales of the Group brands and retail private label business.

Blue-chip business of the Group continues to be managed separately under the leadership of the Executive Director who is in charge of Blue-chip business and the Chairman of the Group.

— **Headquarters**

Since June 2015 the Group has rationalized its resources in Human Resources ("HR") and Finance under global leadership introducing standard policies, practices and procedures creating a uniform supportive platform for the business. Within HR the Group has introduced an upgrade to its global recruitment software to help to attract the best talents from around the world to the Group which has launched on new website. The Group has also begun exchange programmes across the different business segments and continued to develop and nurture emerging talents from within our colleagues. Centralising the management and development of the most importance resource, the Group will continue to drive further synergies led by its SVP Human Resources. The Group's financial management has been streamlined and efficient by the setup of regional CFO function for EMEA and Americas reporting to the Group CFO which has accelerated the integration of the acquired businesses CYBEX and Evenflo into the Group, rolling out standardised management reporting packages quickly, standardising group policies, and driving cost and synergy efficiencies.

OUTLOOK FOR THE SECOND HALF OF 2015

In the second half of 2015, the Company expects the current trends to continue, with the acquired businesses CYBEX and Evenflo performing ahead of its original plan, China market planning to reinforce in-depth management and performance of online and offline retail channel for sustainable growth. The Existing Business of brands in overseas market will remain stable but to be improved while it is expected that change in Blue-chip business will continue. The Group's integration and globalization will continue which will in the short term result in some restructuring costs as seen in the first half.

FINANCIAL REVIEW

Revenue

Total revenue of the Group increased by 39.5% from approximately HK\$2,641.1 million for the six months ended 30 June 2014 to approximately HK\$3,684.4 million for the six months ended 30 June 2015, and increased by 6.4% from approximately HK\$3,461.8 million for the six month ended 30 June 2014 on pro forma basis, of which the revenue from the Group's own brands and the Private Label business was approximately HK\$2,716.7 million (1st half in 2014, HK\$2,353.3 million on pro forma basis, increased by 15.4%), accounting for 73.7% (68.0% in 1st half 2014 on pro forma basis), while that from Blue-chip business was approximately HK\$967.7 million, accounting for 26.3%. Existing Business decreased from approximately HK\$2,325.9 million for the six months ended 30 June 2014 to approximately HK\$2,195.2 million for the six months ended 30 June 2015, decreased by 5.6%. Revenue from Acquired Business increased from approximately HK\$1,135.9 million on pro forma basis for the six months ended 30 June 2014 to approximately HK\$1,489.2 million for the six months ended 30 June 2015, increased by 31.1%.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Revenue by Geographical Region

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

	For the six months ended 30 June				Growth analysis by comparing 2015 with 2014 Growth
	2015		2014		
	Sales (HK\$ million)	% of Sales	Sales (HK\$ million)	% of Sales	
European Market	1,105.0	30.0%	966.3	36.6%	14.3%
North America	1,414.9	38.4%	575.3	21.8%	145.9%
China	875.1	23.7%	838.4	31.7%	4.4%
Other Overseas Markets	289.4	7.9%	261.1	9.9%	10.9%
Total	3,684.4	100.0%	2,641.1	100.0%	39.5%

The revenue breakdown by the categories of Blue-chip business, own brands and Private Label was as follows:

	For the six months ended 30 June				Growth analysis by comparing 2015 with 2014 Growth
	2015		2014		
	Sales (HK\$ million)	% of Sales	Sales (HK\$ million)	% of Sales	
Blue-chip business					
European Market	464.7	48.0%	554.7	50.0%	-16.2%
North America	374.4	38.7%	454.0	41.0%	-17.5%
China	0.0	0.0%	0.0	0.0%	0.0%
Other Overseas Markets	128.6	13.3%	99.8	9.9%	28.9%
Total	967.7	100.0%	1,108.5	100.0%	-12.7%

	For the six months ended 30 June				Growth analysis by comparing 2015 with 2014 Growth
	2015		2014		
	Sales (HK\$ million)	% of Sales	Sales (HK\$ million)	% of Sales	
Own brands & Private Label					
European Market	640.3	23.6%	411.6	26.9%	55.5%
North America	1,040.5	38.3%	121.3	7.9%	758.5%
China	875.1	32.2%	838.4	54.7%	4.4%
Other Overseas Markets	160.8	5.9%	161.3	10.5%	-0.3%
Total	2,716.7	100.0%	1,532.6	100.0%	77.3%

Revenue by Products

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

	For the six months ended 30 June				Growth analysis by comparing 2015 with 2014 Growth
	2015		2014		
	Sales (HK\$ million)	% of Sales	Sales (HK\$ million)	% of Sales	
Strollers and accessories	1,173.1	31.8%	1,181.9	44.8%	-0.8%
Car seats and accessories	1,424.4	38.7%	579.3	21.9%	145.9%
Other durable juvenile products	1,086.9	29.5%	879.9	33.3%	23.5%
Total	3,684.4	100.0%	2,641.1	100.0%	39.5%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The revenue breakdown by categories of Blue-chip business, own brands and Private Label was as follows:

	For the six months ended 30 June				Growth analysis by comparing 2015 with 2014 Growth
	2015		2014		
	Sales (HK\$ million)	% of Sales	Sales (HK\$ million)	% of Sales	
Blue-chip business					
Strollers and accessories	558.5	57.7%	611.9	55.2%	-8.7%
Car seats and accessories	189.2	19.5%	208.3	18.8%	-9.2%
Other durable juvenile products	220.0	22.8%	288.3	26.0%	-23.7%
Total	967.7	100.0%	1,108.5	100.0%	-12.7%
Own brands & Private Label					
Strollers and accessories	614.6	22.6%	570.0	37.2%	7.8%
Car seats and accessories	1,235.2	45.5%	371.0	24.2%	233.2%
Other durable juvenile products	866.9	31.9%	591.6	38.6%	46.5%
Total	2,716.7	100.0%	1,532.6	100.0%	77.3%

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales increased by 37.0% from HK\$1,919.9 million for the six months ended 30 June 2014 to HK\$2,629.4 million for the six months ended 30 June 2015. Cost of sales from the Group's Existing Business was approximately HK\$1,616.7 million, and that from Acquired Businesses was approximately HK\$1,012.7 million.

Gross profit from the Group's increased from approximately HK\$721.2 million for the six months ended 30 June 2014 to approximately HK\$1,055.0 million for the six months ended 30 June 2015, and that from the Existing Business increased from approximately HK\$558.6 million for the six months ended 30 June 2014 to approximately HK\$578.6 million for the six months ended 30 June 2015, and that from Acquired Businesses increased from approximately HK\$162.6 million for the six months ended 30 June 2014 to approximately HK\$476.4 million for the six months ended 30 June 2015. As a result, the gross profit margin rose from approximately 27.3% for the six months ended 30 June 2014 to approximately 28.6% for the six months ended 30 June 2015.

Other Income

Other income increased by HK\$4.5 million from approximately HK\$45.6 million for the six months ended 30 June 2014 to approximately HK\$50.1 million for the six months ended 30 June 2015, which was mainly attributable to the increase in revenue from foreign exchange forward contracts gain etc., partly offset by the decrease in government subsidies.

Selling and Distribution Costs

The selling and distribution costs primarily consist of marketing expenses, salaries and transportation costs. The selling and distribution costs increased from approximately HK\$328.3 million for the six months ended 30 June 2014 to approximately HK\$511.4 million for the six months ended 30 June 2015. Among them, that from the Group's Existing Business increased from approximately HK\$262.1 million for the six months ended 30 June 2014 to approximately HK\$315.0 million for the six months ended 30 June 2015, and that from Acquired Businesses increased from approximately HK\$66.2 million for the six months ended 30 June 2014 to approximately HK\$196.4 million for the six months ended 30 June 2015.

Administrative Expenses

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

The administrative expenses increased from approximately HK\$309.5 million for the six months ended 30 June 2014 to approximately HK\$439.9 million for the six months ended 30 June 2015, and that from Existing Business decreased from approximately HK\$244.6 million for the six months ended 30 June 2014 to approximately HK\$233.1 million for the six months ended 30 June 2015, and that from the Acquired Businesses increased from approximately HK\$64.9 million for the six months ended 30 June 2014 to approximately HK\$206.8 million for the six months ended 30 June 2015.

Other Expenses

Other expenses decreased from approximately HK\$7.6 million for the six months ended 30 June 2014 to approximately HK\$0.6 million for the six months ended 30 June 2015, which was mainly due to a decrease in exchange losses.

Operating Profit

The operating profit increased by 26.1% or HK\$31.6 million to HK\$153.1 million for the six months ended 30 June 2015 from HK\$121.5 million for the six months ended 30 June 2014, mainly due to the decrease in the expenses and costs incurred by acquisition.

Finance Income

The finance income decreased from approximately HK\$4.7 million for the six months ended 30 June 2014 to approximately HK\$3.6 million for the six months ended 30 June 2015, and all finance incomes were interest incomes from bank deposits.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Finance Costs

The finance costs increased by HK\$17.8 million to HK\$29.1 million for the six months ended 30 June 2015 from HK\$11.3 million for the six months ended 30 June 2014, of which the Group recorded an increase in finance costs amounted to approximately HK\$21.2 million due to new bank loans as a result of acquisition, partly offset by finance costs saved resulting from improved interest costs on working capital loans.

Profit before Tax

As a result of the foregoing, the profit before tax of the Company (representing the total sum of gross profit, other income, administrative expenses, selling and distribution costs, other expenses, finance costs and finance income) increased by approximately 11.1% from HK\$114.9 million for the six months ended 30 June 2014 to HK\$127.7 million for the six months ended 30 June 2015.

Income Tax Expenses

The income tax expenses were HK\$36.3 million for the six months ended 30 June 2015, whereas income tax expenses were HK\$25.6 million for the six months ended 30 June 2014, the increase of which mainly arose from the higher income tax rate of the Acquired Business leading to the increase in overall income tax rate of the Group.

Profit for the Period

Profit for the period increased from HK\$89.3 million for the six months ended 30 June 2014 to HK\$91.4 million for the six months ended 30 June 2015, representing an increase of approximately 2.3%.

Working Capital and Financial Resources

	As at 30 June 2015 (HK\$ million)	As at 31 December 2014 (HK\$ million)
Trade and notes receivables (including trade receivables due from related parties)	1,485.7	1,360.3
Trade and notes payables	1,177.2	1,131.3
Inventories	<u>1,400.2</u>	<u>1,535.3</u>
	IH 2015	2014
Trade and notes receivables turnover days ⁽¹⁾	71	70
Trade and notes payables turnover days ⁽²⁾	80	73
Inventories turnover days ⁽³⁾	<u>102</u>	<u>93</u>

Notes:

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

The balance of trade and notes receivables increased by HK\$125.4 million from HK\$1,360.3 million as at 31 December 2014 to HK\$1,485.7 million as at 30 June 2015, of which the increase of HK\$18.2 million was from the Group's Existing Business and HK\$107.2 million was from the Acquired Business.

The balance of trade and notes payables increased by HK\$45.9 million from HK\$1,131.3 million as at 31 December 2014 to HK\$1,177.2 million as at 30 June 2015, of which the increase of approximately HK\$32.3 million was from the Group's Existing Business and approximately HK\$13.6 million was from Acquired Businesses.

The balance of inventories decreased by HK\$135.1 million from HK\$1,535.3 million as at 31 December 2014 to HK\$1,400.2 million as at 30 June 2015, of which the decrease of approximately HK\$204.7 million was from the Group's Existing Business and the increase of approximately HK\$69.6 million was from Acquired Businesses.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Liquidity and Financial Resources

As at 30 June 2015, the Group's interest-bearing bank borrowings were approximately HK\$2,033.4 million (as at 31 December 2014: approximately HK\$2,258.2 million), including short-term bank borrowings of approximately HK\$1,022.6 million (as at 31 December 2014: approximately HK\$1,496.1 million) and long-term bank borrowings of approximately HK\$1,010.8 million (as at 31 December 2014: approximately HK\$762.1 million). The net liabilities was approximately HK\$1,150.9 million (as at 31 December 2014: approximately HK\$1,400.6 million).

As of 30 June 2015, the Group's interest-bearing bank borrowings was denominated in U.S. dollar by approximately 82.6% and approximately 17.4% in Euro.

Contingent Liabilities

As at 30 June 2015, the Group had no material contingent liabilities (as at 31 December 2014: nil).

Exchange Rate Fluctuations

The Group's sales are mainly denominated in U.S. dollar, Renminbi and Euro. The Group's procurement is mainly denominated in Renminbi and U.S.dollar, and the operating expenses of the Group are primarily paid in U.S. dollar, Renminbi and

Euro. For the six months ended 30 June 2015, the Group's revenue was denominated in U.S. dollar by 63.0%, in Renminbi by approximately 23.8%, in Euro by approximately 11.2% and in other currencies by approximately 2.0%. The cost of sales of the Group was denominated in Renminbi by approximately 66.3% and approximately 33.7% in U.S. dollar. The Group's operating expenses was denominated in Renminbi by approximately 57.6%, in U.S. dollar by approximately 18.7% and approximately 23.7% in Euro. The Group's gross profit margin will be adversely affected if Renminbi appreciates against U.S. dollar and we are unable to raise the U.S. dollar selling prices of the sold products or bring down the purchase price, or if Euro depreciates against U.S. dollar and we are unable to raise the Euro selling prices of the sold products or bring down the purchase price. Renminbi appreciated by 0.1% against the U.S. dollar and Euro depreciated by 7.8% against the U.S. dollar during the six months ended 30 June 2015. The Group has entered into Euro forward foreign exchange contracts denominated in U.S. dollars to manage its risks related to Euro. As at 30 June 2015, the Group's balance of forward foreign exchange contracts was approximately US\$22.9 million, with the exchange rate of Euro to U.S. dollar ranging from 1.1128 to 1.3910.

Pledge of Assets

As of 30 June 2015, some of the Group's interest-bearing bank borrowings were secured by intra-group trade receivables of HK\$568.0 million (as at 31 December 2014: HK\$577.0 million), time deposits of HK\$74.3 million (as at 31 December 2014: HK\$165.8 million) and inventories of HK\$0 million (as at 31 December 2014: HK\$84.6 million), among which the trade receivables were eliminated by offsetting in the consolidated financial statements of the Group.

Gearing Ratio

As at 30 June 2015, the Group's gearing ratio (calculated by net liabilities divided by the sum of equity attributable to owners of the parent and net liabilities, where the amount of net liabilities was calculated by the sum of trade and notes payables, other payables, advances from customers and accruals, interest-bearing loans and borrowings (current and non-current), dividends payable and amounts due to related parties, net of cash and cash equivalents) was 56.3% (as at 31 December 2014: 59.6%).

Employees and Remuneration Policy

As at 30 June 2015, the Group had a total number of 12,263 full-time employees (as at 30 June 2014, the Group had a total number of 12,829 full-time employees). For the six months ended 30 June 2015, costs of employees, excluding directors' emoluments, amounted to a total of HK\$583.9 million (for the six months ended 30 June 2014, costs of employees, excluding directors' emoluments, amounted to a total of HK\$472.3 million). The Group determined the remuneration packages of all employees with reference to individual performance and prevailing market salary rate. The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme for all its employees in Hong Kong and provides its employees in the PRC and other countries with welfare schemes as required by the applicable local laws and regulations.

The Company had adopted a share option scheme (the "Share Option Scheme") on 5 November 2010. On 3 January 2012, 30,551,000 share options were granted, out of which 7,000 share options were not accepted. On 29 September 2014, 53,420,000 share options were granted. As at 1 January 2015, 75,857,000 share options were outstanding. During the six months ended 30 June 2015, 8,265,500 share options had lapsed and 1,314,000 share options had been exercised. As at 30 June 2015, 66,277,500 share options were outstanding.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Details of the share options during the six months ended 30 June 2015 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	22,437,000	0	0	0	665,500	1,314,000	20,457,500	3 January 2012	(i) 416,000 share options: 3 January 2013 to 2 January 2018 (ii) 5,747,500 share options: 3 January 2015 to 2 January 2018 (iii) 7,040,000 share options: 3 January 2016 to 2 January 2018 (iv) 7,254,000 share options: 3 January 2017 to 2 January 2018	2.12	2.12
Name of Directors of the Company											
Mr. SONG Zhenghuan	1,390,000	0	0	0	0	0	1,390,000	29 September 2014	(i) 13,160,000 share options: 29 September 2017 to 28 September 2024	3.58	3.40
Mr. WANG Haiye	2,400,000	0	0	0	0	0	2,400,000		(ii) 19,500,000 share options: 29 September 2018 to 28 September 2024		
Mr. Michael Nan QU	2,400,000	0	0	0	0	0	2,400,000		(iii) 13,160,000 share options: 29 September 2019 to 28 September 2024		
Mr. Martin POS	2,400,000	0	0	0	0	0	2,400,000				
Mr. HO Kwok Yin, Eric	1,000,000	0	0	0	0	0	1,000,000				
Mr. Iain Ferguson BRUCE	800,000	0	0	0	0	0	800,000				
Mr. SHI Xiaoguang	800,000	0	0	0	0	0	800,000				
Ms. CHIANG Yun	800,000	0	0	0	0	0	800,000				
Sub-total of Share Options granted to Directors	11,990,000	0	0	0	0	0	11,990,000				
Employees of the Group	40,040,000	0	0	0	7,600,000	0	32,440,000				
Ms. Fu Jingjiu Chairwoman of the Group's largest distributor in the PRC and a substantial shareholder of the Company	1,390,000	0	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 June 30, 2015. The Company estimates the fair value of options granted using binomial tree model.

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:

	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	10
Weighted average share price (HK\$ per share)	<u>2.12</u>	<u>3.58</u>

Significant Acquisition, Disposal or Investment

As at 30 June 2015, the Group had no specific material investment target. The Group did not have any material acquisition and disposals of subsidiaries and associated companies, and investment during the period under review.

Goodbaby

International



Other Information

OTHER INFORMATION

PURCHASE, SALES OR REDEMPTION OF SHARES

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIVIDENDS

The Board does not recommend payment of any dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

CODE ON CORPORATE GOVERNANCE

The Company has applied the principles of the Code Provisions under the Corporate Governance Code in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the six months ended 30 June 2015, save for the deviations from Code Provisions A.2.1 which is explained as follows:-

Code Provision A.2.1: The roles of chairman and chief executive officer ("**CEO**") should be separate and should not be performed by the same individual.

Mr. Song Zhenghuan ("**Mr. Song**") is an executive Director, the chairman and CEO of the Company and the founder of the Group.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the code for the dealings in securities transactions by the Directors. Having made specific enquiries with all Directors of the Company, they have confirmed that they complied with the required standard of dealings set out in the Model Code throughout the six months ended 30 June 2015.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors. The Audit Committee has reviewed with the Company’s management, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2015.

The unaudited interim results of the Group for the six months ended 30 June 2015 have been reviewed by Ernst & Young in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

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

As at 30 June 2015, 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 Securities and Futures Ordinance (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)	23.63%
Mr. Martin Pos	Beneficial owner	51,191,873 (L)	4.64%
Mr. Wang Haiye	Beneficial owner	2,400,000 (L)	0.21%
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%

OTHER INFORMATION (CONTINUED)

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 30 June 2015, 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 of the Company 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 (Note 2)	Beneficial owner	259,000,000 (L)	23.50%
Cayey Enterprises Limited (Note 2)	Interest of controlled corporation	259,000,000 (L)	23.50%
Credit Suisse Trust Limited (Note 2)	Trustee	259,000,000 (L)	23.50%
Grappa Holdings Limited (Note 2)	Interest of controlled corporation	259,000,000 (L)	23.50%
Ms. Fu Jingqiu ("Ms. Fu") (Note 2 & 3)	Settlor/beneficiary of a trust/ Beneficial owner	260,390,000 (L)	23.63%
Pioneer Investments Management Limited	Investment Manager	142,710,000	12.95%
FIL Limited	Investment Manager	99,381,000 (L)	9.01%
Pioneer Asset Management S.A.	Investment Manager	99,222,000 (L)	9.00%
GIC Private Limited (formerly known as Government of Singapore Investment Corporation Pte Ltd)	Investment Manager	76,673,000 (L)	6.95%
The Capital Group Companies, Inc. (Note 4)	Interest of controlled corporation	76,647,000 (L)	6.95%

Notes:

- (1) The letter "L" denotes the person's long position in such shares.
- (2) Pacific United Developments Limited is owned as to 45.39% by Cayey Enterprises Limited, which in turn is, as at 30 June 2015, 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 granted 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 Research and Management Company which in turn holds 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 76,647,000 shares.

DISCLOSURE OF INFORMATION OF DIRECTORS UNDER RULES 13.51(2) AND 13.51(B)(1) OF THE LISTING RULES

Changes in Directors' biographical details since the date of the 2014 annual report of the Company, which are required to be disclosed pursuant to Rules 13.51(2) and 13.51(B)(1) of the Listing Rules, are set out below.

Mr. Iain Ferguson Bruce

Cessation as chairman of KCS Limited.

Mr. Shi Xiaoguang

Appointment as consultant of China Toy & Juvenile Products Association (中國玩具和嬰童用品協會) with effect from 26 March 2015.

Ms. Chiang Yun

Appointment as independent non-executive director of Pacific Century Premium Developments Limited, a company listed on the Stock Exchange, with effect from 6 May 2015.

Save as mentioned above, there is no change of information of each Director that is required to be disclosed under Rules 13.51(2) and 13.51(B)(1) of the Listing Rules since the publication of the 2014 annual report of the Company.

For and on behalf of the Board of Directors

Song Zhenghuan

Chairman

24 August 2015

Report on Review of Interim Condensed Consolidated Financial Statements



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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of Goodbaby International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial statements of Goodbaby International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2015, comprising of the interim consolidated statement of financial position as at 30 June 2015 and the related interim consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory information. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim condensed consolidated financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS34”).

The directors of the Company are responsible for the preparation and presentation of interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagements, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
24 August 2015

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

	Notes	2015 (Unaudited) (HK\$' 000)	2014 (Unaudited) (HK\$' 000)
Revenue	4,5	3,684,396	2,641,131
Cost of sales		(2,629,384)	(1,919,910)
Gross profit		1,055,012	721,221
Other operating income	5	50,061	45,609
Selling and distribution costs		(511,375)	(328,305)
Administrative expenses		(439,942)	(309,490)
Other operating expenses		(595)	(7,558)
Operating profit		153,161	121,477
Finance income	6	3,619	4,707
Finance costs	7	(29,092)	(11,273)
Share of losses of a joint venture		(15)	(14)
Profit before tax	8	127,673	114,897
Income tax expense	9	(36,287)	(25,567)
Profit for the period		91,386	89,330
Attributable to:			
Equity holders of the parent		88,332	88,824
Non-controlling interests		3,054	506
		91,386	89,330
Earnings per share attributable to ordinary equity holders of the parent:	11		
Basic			
- For profit for the period (HK\$)		0.08	0.08
Diluted			
- For profit for the period (HK\$)		0.08	0.08

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	2015 (Unaudited) (HK\$' 000)	2014 (Unaudited) (HK\$' 000)
Profit for the period	91,386	89,330
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(31,167)	(15,099)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	(31,167)	(15,099)
Other comprehensive income, net of tax	(31,167)	(15,099)
Total comprehensive income, net of tax	60,219	74,231
Attributable to:		
Equity holders of the parent	57,027	74,018
Non-controlling interests	3,192	213
	60,219	74,231

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	30 June 2015 (Unaudited) (HK\$' 000)	31 December 2014 (Audited) (HK\$' 000) (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	12	895,418	920,953
Prepaid land lease payments		64,354	65,449
Goodwill	13	826,196	837,717
Other intangible assets	14	696,014	711,909
Investment in a joint venture		912	927
Deferred tax assets		26,134	20,249
Other long-term assets		10,100	-
Total non-current assets		<u>2,519,128</u>	<u>2,557,204</u>
CURRENT ASSETS			
Inventories	15	1,400,171	1,535,271
Trade and notes receivables	16	1,003,845	973,309
Prepayments and other receivables		186,384	192,751
Due from related parties	24	481,866	379,152
Available-for-sale investments	17	126,176	206,389
Cash and cash equivalents		668,596	434,661
Time deposits		761	50,723
Pledged time deposits		86,955	165,807
Derivative financial instruments		27,844	26,797
Total current assets		<u>3,982,598</u>	<u>3,964,860</u>
CURRENT LIABILITIES			
Trade and notes payables	18	1,177,236	1,131,336
Other payables, advances from customers and accruals		475,165	433,370
Interest-bearing bank borrowings	19	1,022,529	1,496,078
Income tax payable		66,475	25,180
Provisions		25,569	21,088
Defined benefit plan liabilities		853	310
Dividends payable		8	8
Total current liabilities		<u>2,767,835</u>	<u>3,107,370</u>
NET CURRENT ASSETS		<u>1,214,763</u>	<u>857,490</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,733,891</u>	<u>3,414,694</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2015

	Notes	30 June 2015 (Unaudited) (HK\$'000)	31 December 2014 (Audited) (HK\$'000) (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,733,891</u>	<u>3,414,694</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	19	1,010,824	762,118
Provisions		83,154	83,192
Defined benefit plan liabilities		13,031	12,870
Other non-current liabilities		26,859	9,041
Deferred tax liabilities		213,887	219,813
Total non-current liabilities		<u>1,347,755</u>	<u>1,087,034</u>
Net assets		<u>2,386,136</u>	<u>2,327,660</u>
EQUITY			
Equity attributable to owners of the parent			
Issued capital	20	11,023	11,010
Reserves		2,332,437	2,285,894
		<u>2,343,460</u>	<u>2,296,904</u>
Non-controlling interests		42,676	30,756
Total equity		<u>2,386,136</u>	<u>2,327,660</u>

SONG Zhenghuan
Director

WANG Haiye
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the parent										Non-controlling interests	Total equity
	Share capital	Share premium	Share option reserve	Statutory reserve funds	Cumulative translation adjustments	Defined benefit plans	Merger reserve	Capital reserve	Retained earnings	Total		
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
As at 1 January 2015	11,010	1,198,930*	20,873*	140,270*	168,006*	(6,511)*	153,975*	-	610,351	2,296,904	30,756	2,327,660
Profit for the period	-	-	-	-	-	-	-	-	88,332	88,332	3,054	91,386
Exchange differences on translation	-	-	-	-	(31,305)	-	-	-	-	(31,305)	138	(31,167)
Total comprehensive income for the period	-	-	-	-	(31,305)	-	-	-	88,332	57,027	3,192	60,219
Acquisition of a subsidiary (Note 3)	-	-	-	-	-	-	-	-	-	-	8,728	8,728
Share option exercises	13	3,915	(1,142)	-	-	-	-	-	-	2,786	-	2,786
Put option over non-controlling interests	-	-	-	-	-	-	-	(20,244)	-	(20,244)	-	(20,244)
Equity-settled share option arrangements	-	-	6,987	-	-	-	-	-	-	6,987	-	6,987
At 30 June 2015 (Unaudited)	<u>11,023</u>	<u>1,202,845*</u>	<u>26,718*</u>	<u>140,270*</u>	<u>136,701*</u>	<u>(6,511)*</u>	<u>153,975*</u>	<u>(20,244)*</u>	<u>698,683*</u>	<u>2,343,460</u>	<u>42,676</u>	<u>2,386,136</u>

	Attributable to owners of the parent										Non-controlling interests	Total equity
	Share capital	Share premium	Share option reserve	Statutory reserve funds	Cumulative translation adjustments	Merger reserve	Retained earnings	Proposed final dividend	Total			
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
As at 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 period	-	-	-	-	-	-	88,824	-	88,824	506	89,330	
Other comprehensive income for the period:												
Exchange differences on translation	-	-	-	-	(14,806)	-	-	-	(14,806)	(293)	(15,099)	
Total comprehensive income for the period	-	-	-	-	(14,806)	-	88,824	-	74,018	213	74,231	
2013 dividend declared (note 10)	-	-	-	-	-	-	-	(55,047)	(55,047)	-	(55,047)	
Difference between proposed and declared 2013 dividend	-	(2)	-	-	-	-	-	2	-	-	-	
Issue of shares	-	341,299	(66)	-	-	-	-	-	342,189	-	342,189	
Equity-settled share option arrangements	956	-	2,521	-	-	-	-	-	2,521	-	2,521	
Transfer of share option reserve upon the forfeiture or expiry of share options	-	-	(12)	-	-	-	-	-	(12)	-	(12)	
At 30 June 2014(Unaudited)	<u>11,010</u>	<u>1,198,894*</u>	<u>12,863*</u>	<u>131,211*</u>	<u>201,838*</u>	<u>153,975*</u>	<u>650,759*</u>	<u>-</u>	<u>2,360,550</u>	<u>30,824</u>	<u>2,391,374</u>	

* These reserve accounts comprise the consolidated reserves of HK\$2,332,437,000 (2014: HK\$2,349,540,000) in the consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	2015 (Unaudited) (HK\$' 000)	2014 (Unaudited) (HK\$' 000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax:	127,673	114,897
Adjustments for:		
Depreciation and amortisation	94,063	69,216
Loss on disposal of items of property, plant and equipment	1	293
Fair value gain on derivative financial instruments	(3,167)	-
Share of losses of a joint venture	15	14
Write down of inventories	(4,678)	(6,687)
Reversal for impairment of receivables	(720)	-
Interest expense	29,092	11,273
Interest income	(3,619)	(4,707)
Decrease/(increase) in inventories	150,636	(144,159)
Decrease/(increase) in trade and notes receivables	17,087	(4,398)
Decrease/(increase) in prepayments and other receivables	10,078	(67,820)
Increase in amounts due from related parties	(102,714)	(42,402)
Decrease in derivative financial instruments	3,145	-
Increase in trade and notes payables	34,887	37,935
Increase in other payables, advances from customers and accruals	40,791	47,815
Increase in provisions	4,587	1,716
Decrease in other liabilities	(4,031)	-
Increase in other long term assets	(514)	-
Income tax paid	(13,993)	(52)
Net cash flows generated from operating activities	378,619	12,934
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of items of property, plant and equipment	1,559	464
Interest received	1,272	4,707
Purchase of items of property, plant and equipment	(62,623)	(50,307)
Purchase of intangible assets	(8,105)	(2,289)
Decrease/(increase) of time deposits	49,962	(167,549)
Acquisition of subsidiaries	(32,541)	(348,898)
Purchases of available-for-sale investments	(949,990)	(440,654)
Proceeds from disposed available-for-sale investments	1,030,083	431,164
Net cash flows generated from/(used in) investing activities	29,617	(573,362)

**INTERIM CONDENSED CONSOLIDATED
STATEMENT OF CASH FLOWS (CONTINUED)**

For the six months ended 30 June 2015

	2015	2014
	(Unaudited)	(Unaudited)
	(HK\$' 000)	(HK\$' 000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	2,786	189
Proceeds from borrowings	1,433,216	1,212,182
Repayment of borrowings	(1,660,019)	(498,542)
Interest paid	(29,136)	(7,126)
Increase in pledged time deposits	78,852	-
Dividends paid	-	(50,265)
	<hr/>	<hr/>
Net cash flows (used in)/generated from financing activities	(174,301)	656,438
	<hr/>	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	233,935	96,010
Cash and cash equivalents at beginning of year	434,661	608,299
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	668,596	704,309
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. CORPORATE INFORMATION

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

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements for the six months ended 30 June 2015 are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2014, except for the adoption of policy regarding the put option over non-controlling interests as set out below and the new and revised International Financial Reporting Standards ("IFRSs", which also include IASs and interpretations) as set out in note 2.3 that are adopted for the first time for the current period's unaudited interim condensed consolidated financial statements. The adoption of these new and revised IFRSs has had no significant impact on the results and the financial position of the Group.

2.2.1 Put option over non-controlling interests

During the process of acquiring the majority equity interests of a subsidiary, the Group provided the non-controlling shareholder the right to dispose its equity interests to the Group. The equity interests in the subsidiary held by the non-controlling shareholder shall be recognised as non-controlling interests in the consolidated financial statement of the Group. At the same time, for the put option, the Group shall assume the obligations to redeem in cash the equity interests in the subsidiary held by the non-controlling shareholder. The present value of the amount payable at the time of redemption of such put option shall be deducted from equity (other than non-controlling interests) and is recognized as the financial liability of the Group. Such financial liability shall be re-measured at the present value of the amount payable upon redemption in the subsequent period, with changes recognized in the consolidated statement of profit or loss.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2015

2.3 ADOPTION OF NEW AND REVISED IFRSs

The Group has adopted the following revised IFRSs for the first time in these interim condensed consolidated financial statements.

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Annual improvements 2010-2012 Cycle	Amendments to a number of IFRSs
Annual improvements 2011-2013 Cycle	Amendments to a number of IFRSs

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

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

3. BUSINESS COMBINATIONS

Acquisition of NICAM A/S

In December 2014, the Group entered into a share sale and transfer agreement (the "Agreement") in relation to the shareholding in NICAM A/S ("NICAM"), a third party distributor company based in Denmark, and pursuant to the Agreement, the Group would acquire 70% of the shares of NICAM (the "Transaction") for a total purchase consideration of EUR3,710,000 (equal to HK\$ 35,062,000) of which the completion was subject to the closing conditions of the Agreement.

NICAM 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 9 January 2015, upon fulfillment of the conditions stipulated in the Agreement and NICAM became an indirectly non-wholly-owned subsidiary of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2015

3. BUSINESS COMBINATIONS (Continued)

Acquisition of NICAM A/S (Continued)

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

	Fair value recognized on acquisition HK\$'000
Assets	
Property, plant and equipment	51
Other intangible assets	25,581
Cash and cash equivalents	2,521
Trade and notes receivables	9,920
Prepayments and other receivables	3,009
Inventories	15,512
	<u>56,594</u>
Liabilities	
Trade and notes payables	(13,632)
Other payables, advances from customers and accruals	(3,598)
Income tax payable	(4,005)
Deferred tax liabilities	(6,267)
	<u>(27,502)</u>
Total identifiable net assets at fair value	29,092
Non-controlling interests	(8,728)
	<u>20,364</u>
Goodwill arising on acquisition	5,692
Total consideration	<u><u>26,056</u></u>
Cash paid	35,062
Call option over non-controlling interests	(10,611)
Put option over non-controlling interests	1,605
Total consideration	<u><u>26,056</u></u>
Analysis of cash flows on acquisition:	
Net cash acquired	2,521
Cash paid	(35,062)
Net cash outflow (included in cash flows from investing activities)	<u><u>(32,541)</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2015

3. BUSINESS COMBINATIONS (Continued)

Acquisition of NICAM A/S (Continued)

From the date of acquisition, NICAM have contributed HK\$50,253,000 to the Group's revenue and HK\$5,293,000 to the consolidated profit for the period ended 30 June 2015. 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 period would have been HK\$3,684,396,000 and HK\$91,386,000, respectively.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of NICAM 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\$9,920,000 and HK\$3,009,000, respectively.

The Group incurred transaction costs of HK\$988,000 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 22 July 2014, the Group acquired 100% of the equity of WP Evenflo Group Holdings, Inc. ("Evenflo") and its subsidiaries for cash of US\$143,041,667 (equal to HK\$1,108,792,000). Goodwill of HK\$581,419,000 was initially recorded based on a preliminary allocation of the purchase consideration as at the acquisition date. The use of provisional amounts was required in estimating the fair value of long-term product liability obligations included in the provisions account in the consolidated statement of financial position as at the acquisition date because of the significant time lag between the occurrence of loss events (i.e. vehicle collisions) and notification of litigation in the United States of America. By the end of the measurement period subsequent to the acquisition, the Group reviewed all relevant information received about the facts and circumstances that existed at the acquisition date related to pre-acquisition loss events. The Group further evaluated and completed the initial accounting for the business combination of Evenflo. As a result, the Group recorded an increase to its long-term product liability obligation with a corresponding increase to goodwill as if the initial accounting had been completed on the acquisition date. A reconciliation of the preliminary goodwill and provisions values of the Group to their adjusted values as at 31 December 2014 is set out below:

	The Group (as previously reported) HK\$' 000	Adjustments HK\$' 000	The Group (as restated) HK\$' 000
Non-current assets			
- Goodwill	808,385	29,332	837,717
Non-current liabilities			
- Provisions	53,860	29,332	83,192

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2015

4. OPERATING SEGMENTS

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. The management is of the opinion that these products have similar economic characteristics and hence the results of these operations are included in the “other durable juvenile products” column;
- (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. The management is of the opinion that these products have similar economic characteristics and hence the results of these operations are included in the “other durable juvenile products” column.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2015

4. OPERATING SEGMENTS (Continued)

Six months ended 30 June 2014	Overseas				Domestic				Consolidated
	(HK\$'000) (Unaudited)				(HK\$'000) (Unaudited)				(HK\$'000) (Unaudited)
	Strollers and accessories	Car seats and accessories	Other durable juvenile products	Subtotal	Strollers and accessories	Car seats and accessories	Other durable juvenile products	Subtotal	
Segment revenue									
Sales to external customers	808,766	528,220	465,689	1,802,675	373,130	51,143	414,183	838,456	2,641,131
Intersegment sales	123,305	20,141	220,303	363,749	-	-	-	-	363,749
	932,071	548,361	685,992	2,166,424	373,130	51,143	414,183	838,456	3,004,880
<i>Reconciliation:</i>									
Elimination of intersegment sales									(363,749)
Revenue									2,641,131
Gross profit	192,397	206,847	90,679	489,923	114,907	25,916	90,475	231,298	721,221
Segment results									
<i>Reconciliation:</i>									
Other income									45,609
Corporate and other unallocated expenses									(637,795)
Other expenses									(7,558)
Finance costs									(11,273)
Finance income									4,707
Share of losses of a joint venture									(14)
Profit before tax									114,897

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2015

5. REVENUE AND OTHER OPERATING INCOME

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

	Six months ended 30 June	
	2015	2014
	(HK\$' 000)	(HK\$' 000)
	(Unaudited)	(Unaudited)
Revenue:		
Sales of goods	3,684,396	2,641,131
Other income:		
Foreign exchange differences, net	31,525	-
Gain on release of redundancy payments	6,677	-
Net fair value gains on derivative instruments not qualifying as hedges	3,167	-
Gain on sales of raw materials	2,109	2,203
Government grants (note (a))	2,087	30,749
Gain on wealth investment products (note (b))	1,892	2,834
Gain on sales of scrap materials	1,432	2,566
Service fee income (note (c))	665	948
Compensation income (note (d))	181	5,324
Others	326	985
Total	50,061	45,609

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 wealth investment products.

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

Note (d): 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.

6. FINANCE INCOME

	Six months ended 30 June	
	2015	2014
	(HK\$' 000)	(HK\$' 000)
	(Unaudited)	(Unaudited)
- Interest income on bank deposits	3,619	4,707

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2015

7. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	(HK\$' 000)	(HK\$' 000)
	(Unaudited)	(Unaudited)
- Interest expense on bank loans and borrowings	29,092	11,273

8. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2015	2014
	(HK\$' 000)	(HK\$' 000)
	(Unaudited)	(Unaudited)
Cost of inventories sold	2,811,831	1,599,843
Depreciation of property, plant and equipment	82,434	61,355
Amortization of intangible assets	10,513	6,729
Amortization of land lease payments	1,116	1,132
Research and development costs	162,087	79,793
Lease payments under operating leases in respect of properties	52,426	34,086
Auditors' remuneration	5,640	2,588
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	566,275	463,272
Share option expense	6,987	2,509
Pension scheme costs (defined benefit plans)	814	-
Pension scheme contributions	20,069	18,391
	594,145	484,172
Net foreign exchange (gains)/losses	(31,525)	5,208
Reversal for impairment of receivables	(720)	-
Provisions	10,736	5,125
Reversal for impairment of inventories	(4,678)	(6,687)
Net fair value gains on derivative instruments not qualifying as hedges	(3,167)	-
Loss on disposal of items of property, plant and equipment	1	293
Bank interest income	(3,619)	(4,707)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2015

9. INCOME TAX EXPENSE

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/period.

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 6.75% 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 30% 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 Denmark are subject to income tax based on the taxable income at the rate of 24.5%.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2015

9. INCOME TAX EXPENSE (Continued)

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

	Six months ended 30 June	
	2015	2014
	(HK\$' 000)	(HK\$' 000)
	(Unaudited)	(Unaudited)
Current income tax – PRC		
– Income tax for the period	6,054	6,082
– Over provision in prior years	(909)	(13)
	5,145	6,069
German income tax	33,127	11,431
United States state and federal income taxes	3,249	908
Denmark income tax	1,624	–
Netherlands income tax	39	56
Hong Kong profits tax	357	9,139
Deferred income tax	(7,254)	(2,036)
Income tax expense reported in the consolidated statement of profit or loss	36,287	25,567

10. DIVIDENDS PAID AND PROPOSED

	Six months ended 30 June	
	2015	2014
	(HK\$' 000)	(HK\$' 000)
	(Unaudited)	(Unaudited)
Dividends on ordinary shares declared and paid during the six-month period:		
Final dividend for 2014: nil (2013: HK\$0.05)	–	55,047

The board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2015

11. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,101,337,000 in issue during the six months ended 30 June 2015 (six months ended 30 June 2014: 1,090,457,833).

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

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

	Six months ended 30 June	
	2015	2014
	(HK\$' 000)	(HK\$' 000)
	(Unaudited)	(Unaudited)
Earnings:		
Profit attributable to ordinary equity holders of the parent, used in the earnings per share calculation	88,332	88,824
	<u><u>88,332</u></u>	<u><u>88,824</u></u>
	Number of shares	
	Six months ended 30 June	
	2015	2014
Shares:		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,101,337,000	1,090,457,833
	<u><u>1,101,337,000</u></u>	<u><u>1,090,457,833</u></u>
Effect of dilution-weighted average number of ordinary shares:		
Share options	3,988,000	7,885,038
	<u><u>3,988,000</u></u>	<u><u>7,885,038</u></u>
	1,105,325,000	1,098,342,871
	<u><u>1,105,325,000</u></u>	<u><u>1,098,342,871</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2015

12. PROPERTY, PLANT AND EQUIPMENT

30 June 2015

	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 2014 and at 1 January 2015:							
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	<u>362,610</u>	<u>342,259</u>	<u>5,157</u>	<u>135,830</u>	<u>29,037</u>	<u>46,060</u>	<u>920,953</u>
At 1 January 2015, net of accumulated depreciation	362,610	342,259	5,157	135,830	29,037	46,060	920,953
Additions	1,066	20,765	264	20,723	2,481	17,324	62,623
Transfer from CIP	1,427	18,742	116	7,282	-	(27,567)	-
Acquisition of a subsidiary	-	-	-	51	-	-	51
Disposals	(141)	(1,076)	(31)	(201)	(111)	-	(1,560)
Depreciation provided during the period	(13,889)	(32,884)	(991)	(31,942)	(2,728)	-	(82,434)
Translation adjustments	29	(1,747)	1	(1,173)	(722)	(603)	(4,215)
At 30 June 2015, net of accumulated depreciation	<u>351,102</u>	<u>346,059</u>	<u>4,516</u>	<u>130,570</u>	<u>27,957</u>	<u>35,214</u>	<u>895,418</u>
At 30 June 2015:							
Cost	590,452	807,955	11,644	309,053	66,734	35,214	1,821,052
Accumulated depreciation	(239,350)	(461,896)	(7,128)	(178,483)	(38,777)	-	(925,634)
Net carrying amount	<u>351,102</u>	<u>346,059</u>	<u>4,516</u>	<u>130,570</u>	<u>27,957</u>	<u>35,214</u>	<u>895,418</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2015

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

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	<u>292,881</u>	<u>283,687</u>	<u>6,465</u>	<u>110,672</u>	<u>9,230</u>	<u>4,974</u>	<u>707,909</u>
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	<u>362,610</u>	<u>342,259</u>	<u>5,157</u>	<u>135,830</u>	<u>29,037</u>	<u>46,060</u>	<u>920,953</u>
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	<u>362,610</u>	<u>342,259</u>	<u>5,157</u>	<u>135,830</u>	<u>29,037</u>	<u>46,060</u>	<u>920,953</u>

13. GOODWILL

Cost and net carrying amount at 31 December 2013 and
1 January 2014

Acquisition of subsidiaries
Exchange realignment

Cost and net carrying amount at 31 December 2014 and 1 January 2015

Acquisition of a subsidiary (note 3)
Exchange realignment

Cost and net carrying amount at 30 June 2015

2015
(HK\$'000)
(Restated)

16,406

848,470

(27,159)

837,717

5,692

(17,213)

826,196

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2015

14. OTHER INTANGIBLE ASSETS

30 June 2015

	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 2014 and at 1 January 2015:						
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	<u>521,722</u>	<u>10,323</u>	<u>5,588</u>	<u>120,525</u>	<u>53,751</u>	<u>711,909</u>
At 1 January 2015, net of accumulated amortisation	521,722	10,323	5,588	120,525	53,751	711,909
Additions	3,181	2,986	-	-	1,938	8,105
Acquisition of a subsidiary	-	-	-	25,581	-	25,581
Amortisation provided during the period	(1,191)	(1,964)	(625)	(4,540)	(2,193)	(10,513)
Translation adjustments	(29,191)	(461)	(443)	(5,635)	(3,338)	(39,068)
At 30 June 2015, net of accumulated depreciation	<u>494,521</u>	<u>10,884</u>	<u>4,520</u>	<u>135,931</u>	<u>50,158</u>	<u>696,014</u>
At 30 June 2015:						
Cost	519,645	22,250	6,307	145,277	55,828	749,307
Accumulated amortisation	(25,124)	(11,366)	(1,787)	(9,346)	(5,670)	(53,293)
Net carrying amount	<u>494,521</u>	<u>10,884</u>	<u>4,520</u>	<u>135,931</u>	<u>50,158</u>	<u>696,014</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2015

14. OTHER INTANGIBLE ASSETS (Continued)

31 December 2014

	Trademarks (HK\$'000)	Computer software (HK\$'000)	Non- compe- te agree- ment (HK\$'000)	Customer relationship (HK\$'000)	Patents (HK\$'000)	Total (HK\$'000)
At 31 December 2013 and at 1 January 2014:						
Cost	32,848	14,008	-	-	-	46,856
Accumulated amortisation	(21,988)	(6,304)	-	-	-	(28,292)
Net carrying amount	<u>10,860</u>	<u>7,704</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,564</u>
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	<u>521,722</u>	<u>10,323</u>	<u>5,588</u>	<u>120,525</u>	<u>53,751</u>	<u>711,909</u>
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	<u>521,722</u>	<u>10,323</u>	<u>5,588</u>	<u>120,525</u>	<u>53,751</u>	<u>711,909</u>

15. INVENTORIES

	As at 30 June 2015 (HK\$'000) (Unaudited)	As at 31 December 2014 (HK\$'000) (Audited)
Raw materials	366,363	496,053
Work in progress	204,481	162,843
Finished goods	829,327	876,375
	<u>1,400,171</u>	<u>1,535,271</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2015

16. TRADE AND NOTES RECEIVABLES

	As at 30 June 2015 (HK\$' 000) (Unaudited)	As at 31 December 2014 (HK\$' 000) (Audited)
Trade receivables	998,088	974,383
Notes receivables	12,648	6,792
	1,010,736	981,175
Impairment for trade receivables	(6,891)	(7,866)
	1,003,845	973,309

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

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

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

	As at 30 June 2015 (HK\$' 000) (Unaudited)	As at 31 December 2014 (HK\$' 000) (Audited)
Within 3 months	932,305	921,335
3 to 6 months	58,892	31,257
6 months to 1 year	-	13,719
Over 1 year	-	206
	991,197	966,517

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2015

17. AVAILABLE-FOR-SALE INVESTMENTS

	As at 30 June 2015 (HK\$' 000) (Unaudited)	As at 31 December 2014 (HK\$' 000) (Audited)
Unlisted investments, at fair value	126,176	206,389

The above investments consist of investments in wealth investment products which were designated as available-for-sale financial assets and have maturity within one month and coupon rates ranging from 2.45% to 4.00% per annum (2014: ranging from 2.45% to 3.80%).

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

18. TRADE AND NOTES PAYABLES

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

	As at 30 June 2015 (HK\$' 000) (Unaudited)	As at 31 December 2014 (HK\$' 000) (Audited)
Within 3 months	1,051,365	973,967
3 to 12 months	120,001	151,608
1 to 2 years	732	1,283
2 to 3 years	2,110	2,643
Over 3 years	3,028	1,835
	1,177,236	1,131,336

The trade and notes payables are non-interest-bearing and normally settled on terms of 60 to 90 days. The carrying amounts of the trade and notes payables approximate to their fair values due to their short term maturity.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2015

19. INTEREST-BEARING BANK BORROWINGS

		As at 30 June 2015			As at 31 December 2014		
		Effective interest rate (%)	Maturity	HK\$'000 (Unaudited)	Effective interest rate (%)	Maturity	HK\$'000 (Audited)
Current							
Bank borrowings - secured by intra-group trade receivables	Note(a)	1.56-2.72	2015/12/15	568,026	1.93-2.72	2015	528,208
Bank borrowings - unsecured		1.58-2.5	2015	118,147	1.58-1.79	2015	155,127
Bank borrowings - secured by an intra-group standby letter of credit and intra-group time deposits	Note(b)	1.33	2015/7/7	116,287	1.33	2015/1/9	193,910
Bank borrowings - guaranteed	Note(c)	2.09	2015/7/29	77,525	1.53-2.07	2015	193,910
Current portion of long-term bank loans - guaranteed by GIHL and pledged by shares	Note(d)	3 month Euribor +1.75	2016/1/31	30,135	-	-	-
Bank borrowings - secured by an intra-group standby letter of credit	Note(e)	2.25	2016/5/26	19,381	2.25	2015/5/26	58,173
Bank borrowings - secured by intra-group time deposits	Note (f)	1.71-1.791	2015/12/17	93,028	2.20	2015/1/27	364,794
Current portion of long-term bank loans - secured by inventories and trade receivables	Note (g)	-	-	-	2.50	2015	1,011
Current portion of long-term bank loans - unsecured		-	-	-	2.25	2015	945
				<u>1,022,529</u>			<u>1,496,078</u>
Non-current							
Bank borrowings - guaranteed by GIHL and secured by an intra-group standby letter of credit	Note(h)	Libor+2.5	2020/7/22	760,054	Libor+2.5	2020/7/22	760,445
Bank borrowings - guaranteed by GIHL and pledged by shares	Note(d)	3 month Euribor +1.75	2018/1/31	250,168	-	-	-
Bank borrowings - unsecured		2.25-2.5	2016	602	2.25	2016/9/1	709
Bank borrowings - secured by inventories and trade receivables	Note (g)	-	-	-	2.50	2016/12/31	964
				<u>1,010,824</u>			<u>762,118</u>
Total				<u><u>2,033,353</u></u>			<u><u>2,258,196</u></u>

**NOTES TO THE INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months ended 30 June 2015

19. INTEREST-BEARING BANK BORROWINGS (Continued)

Analysed into:	As at 30 June 2015 (HK\$' 000) (Unaudited)	As at 31 December 2014 (HK\$' 000) (Audited)
Bank loans and overdrafts repayable:		
within one year or on demand	1,022,529	1,496,078
in the second year	602	1,673
in the third to fifth years, inclusive	592,166	228,133
over five years	418,056	532,312
	<u>2,033,353</u>	<u>2,258,196</u>

Note (a): Short-term bank borrowings were obtained from third party financial institutions. As at 30 June 2015, a subsidiary of the Group pledged its trade receivables of approximately HK\$568,025,000 (31 December 2014: HK\$577,035,000) 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 a standby letter of credit issued by GCPC and secured by the pledge of time deposits of GCPC amounting to HK\$45,403,000. (2014: HK\$45,386,000)

Note (c): Short-term bank borrowings were guaranteed by Goodbaby International Holdings Limited ("GIHL").

Note (d): Short-term bank borrowings and long-term bank borrowings were guaranteed by GIHL and pledged by shares in Columbus Holding GmbH and Cybex GmbH.

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

Note (f): Short-term bank borrowings were pledged by time deposits of approximately HK\$28,911,000. (2014: HK\$120,421,000).

Note (g): The bank borrowings were secured by inventories for a net carrying value of approximately HK\$84,602,000, which was paid off during this period.

Note (h): 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2015

20.SHARE CAPITAL

	As at 30 June 2015 (HK\$'000)	As at 31 December 2014 (HK\$'000)
Authorised:		
50,000,000,000 (2014:50,000,000,000) ordinary shares of HK\$0.01 each	500,000	500,000
	Number of shares in issue	Issued capital (HK\$'000)
Issued and fully paid:		
At 1 January 2015	1,100,971,700	11,010
Share options exercised (note(a))	1,314,000	13
At 30 June 2015	1,102,285,700	11,023

Note (a): The subscription rights attaching to 1,314,000 share options were exercised at the subscription prices of HK\$2.12 per share, resulting in the issue of 1,314,000 shares of HK\$0.01 each for a total cash consideration, before expenses, of HK\$13,140.

Details of the Group's share option scheme and the share options issued under the scheme are included in note 21 to the financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2015

21. SHARE OPTION SCHEME

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

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2015

21. SHARE OPTION SCHEME (Continued)

The following share options were outstanding under the Scheme during the six months ended 30 June 2015:

	Weighted average exercise price HK\$ per share	Number of options '000
At 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)
	<hr/>	<hr/>
At 31 December 2014, 1 January 2015	3.148	75,857
Forfeited during the period	3.462	(8,265)
Exercised during the period	2.120	(1,314)
	<hr/>	<hr/>
At 30 June 2015	<u>3.129</u>	<u>66,278</u>

The weighted average share price at the date of exercise for share options exercised during the six months ended 30 June 2015 was HK\$3.03 per share (2014: HK\$4.05 per share).

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

30 June 2015 Number of options '000	Exercise price HK\$ per share	Exercise period
416	2.120	3 January 2013 to 2 January 2018
5,747	2.120	3 January 2015 to 2 January 2018
7,040	2.120	3 January 2016 to 2 January 2018
7,254	2.120	3 January 2017 to 2 January 2018
13,160	3.580	29 September 2017 to 28 September 2024
19,501	3.580	29 September 2018 to 28 September 2024
13,160	3.580	29 September 2019 to 28 September 2024
<hr/> 66,278 <hr/>		

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2015

21. SHARE OPTION SCHEME (Continued)

31 December 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
<u>75,857</u>		

The Group recognised a share option expense of HK\$ 6,987,000 during the six months ended 30 June 2015 (six months ended 30 June 2014: HK\$ 2,509,000).

The fair value of equity-settled share options granted was estimated as at the date of grant, using a binomial tree 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	10
Weighted average share price (HK\$ per share)	2.12	3.58

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2015

21. SHARE OPTION SCHEME (Continued)

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 1,314,000 share options exercised during the period resulted in the issue of 1,314,000 ordinary shares of the Company and new share capital of HK\$13,140 and share premium of HK\$ 2,773,000 (before issue expenses), as further detailed in note 20 to the financial statements.

At the end of the reporting period, the Company had 66,278,000 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 66,278,000 additional ordinary shares of the Company and additional share capital of HK\$662,780, and share premium of HK\$ 206,745,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 66,278,000 share options outstanding under the Scheme, which represented approximately 6.00% of the Company's shares in issue as at that date.

**NOTES TO THE INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months ended 30 June 2015

22. 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:

Financial assets

As at 30 June 2015

	Financial assets at fair value through profit or loss (HK\$' 000)	Available-for- sale financial assets (HK\$' 000)	Loans and receivables (HK\$' 000)	Total (HK\$' 000)
Trade and notes receivables	-	-	1,003,845	1,003,845
Financial assets included in prepayments and other receivables	-	-	86,637	86,637
Due from a related party	-	-	481,866	481,866
Available-for-sale investments	-	126,176	-	126,176
Derivative financial instruments	27,844	-	-	27,844
Other long-term assets	9,586	-	-	9,586
Pledged time deposits	-	-	86,955	86,955
Time deposits	-	-	761	761
Cash and cash equivalents	-	-	668,596	668,596
	37,430	126,176	2,328,660	2,492,266

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2015

22. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial assets (Continued)

As at 31 December 2014

	Financial assets at fair value through profit or 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	-	-	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
	<u>26,797</u>	<u>206,389</u>	<u>2,087,898</u>	<u>2,321,084</u>

Financial liabilities:

As at 30 June 2015

Financial liabilities included in other payables,
advances from customers and accruals

Trade and notes payables

Interest-bearing bank borrowings

Other non-current liabilities

Total

Financial liabilities at amortised cost (HK\$' 000)
99,956
1,177,236
2,033,353
20,141
<u>3,330,686</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2015

22. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities: (Continued)

	Financial liabilities at amortised cost (HK\$' 000)
As at 31 December 2014	
Financial liabilities include in other payables, advances from customers and accruals	84,561
Trade and notes payables	1,131,336
Interest-bearing bank borrowings	<u>2,258,196</u>
Total	<u><u>3,474,093</u></u>

23. 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:

Financial assets:

	Carrying amount (HK\$' 000)	Fair value (HK\$' 000)
30 June 2015		
Derivative financial instruments-forward contract	27,844	27,844
Other long-term assets - call option over non-controlling interests	9,586	9,586
Available-for-sale investments	<u>126,176</u>	<u>126,176</u>
Total	<u><u>163,606</u></u>	<u><u>163,606</u></u>
31 December 2014		
Derivative financial instruments	26,797	26,797
Available-for-sale investments	<u>206,389</u>	<u>206,389</u>
Total	<u><u>233,186</u></u>	<u><u>233,186</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2015

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

Financial liabilities:

30 June 2015

Other non-current liabilities - put option over
non-controlling interests
Interest-bearing bank borrowings

Total

Carrying amount (HK\$' 000)	Fair value (HK\$' 000)
20,141	20,141
2,033,353	2,033,353
2,053,494	2,053,494

31 December 2014

Interest-bearing bank borrowings

Total

Carrying amount (HK\$' 000)	Fair value (HK\$' 000)
2,258,196	2,258,196
2,258,196	2,258,196

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2015

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

Financial liabilities: (Continued)

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 forward currency contracts with various counterparties, principally financial institutions with high credit ratings. The 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.

The Group adopts Black-Scholes option valuation model in determining the fair value of the call option over non-controlling interests. The assumptions made are not supported by observable market price or interest rate. The Group believes that the fair value estimated using valuation techniques is reasonable and the most appropriate value as of the balance sheet date.

For put option over non-controlling interests, the fair values are determined as the present values of the future payments to be made when the options are exercised. The assumptions made are not supported by observable market price or interest rate. Discount rates need to be estimated. The Group believes that the fair value estimated using valuation techniques is reasonable and the most appropriate value as of the balance sheet date.

As at 30 June 2015, 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2015

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

Fair value hierarchy

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

Assets measured at fair value:

	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)	
30 June 2015 (HK\$' 000)				
Financial assets at fair value through profit or loss				
- Forward currency contracts	27,844	-	27,844	-
- Call option over non-controlling interests	9,586	-	-	9,586
Available-for-sale investments	126,176	-	-	126,176
	163,606	-	27,844	135,762
31 December 2014 (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

**NOTES TO THE INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months ended 30 June 2015

**23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL
INSTRUMENTS** (Continued)

Fair value hierarchy (Continued)

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

	30 June 2015 (HK\$' 000)	31 December 2014 (HK\$' 000)
At 1 January	206,389	127,830
Purchases	959,576	3,254,717
Disposals	(1,030,083)	(3,176,068)
Exchange realignment	(120)	(90)
	<u>135,762</u>	<u>206,389</u>

Liabilities for which fair values are disclosed:

	Fair value measurement using			
	30 June 2015 (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)
Put option over non-controlling interests	20,141	-	-	20,141
Interest-bearing bank borrowings	2,033,353	-	2,033,353	-
	<u>2,053,494</u>	<u>-</u>	<u>2,033,353</u>	<u>20,141</u>

	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	-
	<u>2,258,196</u>	<u>-</u>	<u>2,258,196</u>	<u>-</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2015

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

Fair value hierarchy (Continued)

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

	30 June 2015 (HK\$' 000)	31 December 2014 (HK\$' 000)
At 1 January	-	-
Purchases	20,101	-
Exchange realignment	40	-
	20,141	-

During the period ended 30 June 2015, 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.

24. COMMITMENTS

The Group had the following capital commitments as at 30 June 2015 and 31 December 2014:

	As at 30 June 2015 (HK\$' 000) (Unaudited)	As at 31 December 2014 (HK\$' 000) (Audited)
Contracted, but not provided for in respect of the acquisition of: Property, plant and equipment	1,777	1,779

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2015

25. 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
Goodbaby Group Ping Xiang Co., Ltd. (“GGPX”)	Controlled by GGCL
G-Baby Holdings Limited (“GBHL”)	Significantly influenced by GGCL
Goodbaby China Holdings Limited (“CAGB”)	Significantly influenced by GGCL
Goodbaby China Commercial Co., Ltd. (“GCCL”)	Controlled by CAGB
Goodbaby Fuyang Commercial Co., Ltd. (“GFCL”)	Subsidiary of GCCL
Goodbaby Qingdao Commercial Co., Ltd. (“GQCL”)	Subsidiary of GCCL
Goodbaby Shangqiu Commercial Co., Ltd. (“GSCL”)	Subsidiary of GCCL
Majestic Sino Ltd. (“MJSL”)	Controlled by CAGB
Shanghai Goodbaby Child Products Co., Ltd. (“SGCP”)	Controlled by MJSL

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2015

25. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Related party transactions

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 period:

	Six months ended 30 June	
	2015	2014
	(HK\$' 000)	(HK\$' 000)
	(Unaudited)	(Unaudited)
Sales of goods to a related party (note (a)) GCCL and its subsidiaries#	511,837	397,830
Purchases of goods from a related party (note (a)) GCCL#	175	32
Rental expense to related parties (note (b)) GGPX#	6,192	5,461
GGCL#	443	442
	6,635	5,903
Expenses paid on behalf of related parties (note (c)) GCCL#	439	503
SGCP#	33	30
	472	533
Expenses paid by a related party on behalf of (note (c)) BRKH#	63	122

Note (a): The sales/purchases of goods to the related parties were made according to the prices and terms agreed between the related parties.

Note (b): The rental expense to a related party was made according to the prices and terms offered by the related parties.

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

The related party transactions marked with # above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

**NOTES TO THE INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months ended 30 June 2015

25. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(c) Outstanding balances with related parties

	As at 30 June 2015 (HK\$' 000) (Unaudited)	As at 31 December 2014 (HK\$' 000) (Audited)
Amounts due from a related party GCCL	481,866	379,152

The amounts due from related parties are unsecured, interest-free and repayable on demand.

(d) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2015 (HK\$' 000) (Unaudited)	2014 (HK\$' 000) (Unaudited)
Short term employee benefits	15,375	15,173
Post-employment benefits	122	255
Total compensation paid to key management personnel	15,497	15,428

26. APPROVAL OF THE FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorized for issue by the board of directors on 24 August 2015.

