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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1086)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL PERFORMANCE HIGHLIGHTS

	For the six months ended 30 June 2016	2015	Year-on-year change
	(HK$ in millions, unless specified)		
Revenue	3,214.9	3,684.4	-12.7%
Gross profit	1,074.5	1,055.0	1.8%
Operating profit	169.1	153.1	10.4%
Profit for the period	110.1	91.4	20.5%
Profit for the period attributable to owners of the parent	107.1	88.3	21.3%
EPS (HK$)			
-basic	0.10	0.08	25.0%
-diluted	0.10	0.08	25.0%

The board (the "**Board**") of directors ("**Directors**") of Goodbaby International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to present the unaudited consolidated interim results of the Group for the six months ended 30 June 2016, together with the comparative figures for the corresponding period in 2015.

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
	Notes	*2016*	*2015*
		(Unaudited)	*(Unaudited)*
		(HK$'000)	*(HK$'000)*
Revenue	4	3,214,894	3,684,396
Cost of sales		(2,140,406)	(2,629,384)
Gross profit		1,074,488	1,055,012
Other income and gains	4	16,494	50,061
Selling and distribution costs		(458,671)	(511,375)
Administrative expenses		(460,441)	(439,942)
Other expenses		(2,725)	(595)
Operating profit		169,145	153,161
Finance income	5	2,216	3,619
Finance costs	6	(25,997)	(29,092)
Share of profits/(losses) of a joint venture		25	(15)
Profit before tax	7	145,389	127,673
Income tax expense	8	(35,281)	(36,287)
Profit for the period		110,108	91,386
Attributable to:			
Owners of the parent		107,140	88,332
Non-controlling interests		2,968	3,054
		110,108	91,386
Earnings per share attributable to ordinary equity holders of the parent:	10		
Basic			
- For profit for the period (HK$)		0.10	0.08
Diluted			
- For profit for the period (HK$)		0.10	0.08

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2016	*2015*
	(Unaudited)	*(Unaudited)*
	(HK$'000)	*(HK$'000)*
Profit for the period	110,108	91,386
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(19,638)	(31,167)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	(19,638)	(31,167)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Actuarial losses of defined benefit plans	(2,893)	—
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	(2,893)	—
Other comprehensive income for the period, net of tax	(22,531)	(31,167)
Total comprehensive income for the period	87,577	60,219
Attributable to:		
Owners of the parent	84,935	57,027
Non-controlling interests	2,642	3,192
	87,577	60,219

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Notes	**30 June 2016** *(Unaudited)* *(HK$'000)*	**31 December 2015** *(Audited)* *(HK$'000)*
NON-CURRENT ASSETS			
Property, plant and equipment		860,793	878,769
Prepaid land lease payments		57,418	59,608
Goodwill		823,596	819,619
Other intangible assets		686,984	682,256
Investment in a joint venture		852	844
Deferred tax assets		58,813	43,092
Other long-term assets		4,064	3,637
Total non-current assets		2,492,520	2,487,825
CURRENT ASSETS			
Inventories	11	1,114,290	1,244,756
Trade and notes receivables	12	668,104	695,599
Prepayments and other receivables		178,168	143,629
Due from a related party		391,566	303,758
Available-for-sale investments	13	243,361	310,347
Cash and cash equivalents		743,747	705,291
Time deposits		2,568	2,726
Pledged time deposits		45,706	27,199
Derivative financial instruments		1,005	421
Total current assets		3,388,515	3,433,726
CURRENT LIABILITIES			
Trade and notes payables	14	930,243	941,205
Other payables, advances from customers and accruals		521,254	463,929
Interest-bearing bank loans and other borrowings	15	616,909	691,700
Income tax payable		40,266	68,205
Provisions		35,401	37,353
Defined benefit plan liabilities		472	465
Dividends payable		3,672	8
Total current liabilities		2,148,217	2,202,865
NET CURRENT ASSETS		1,240,298	1,230,861
TOTAL ASSETS LESS CURRENT LIABILITIES		3,732,818	3,718,686

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Notes	**30 June 2016** *(Unaudited)* *(HK$'000)*	**31 December 2015** *(Audited)* *(HK$'000)*
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	15	961,942	1,005,918
Provisions		76,790	78,732
Defined benefit plan liabilities		17,553	14,216
Other non-current liabilities		9,779	10,577
Deferred tax liabilities		204,497	201,141
Total non-current liabilities		1,270,561	1,310,584
Net assets		2,462,257	2,408,102
EQUITY			
Equity attributable to owners of the parent			
Issued capital		11,148	11,086
Reserves		2,405,623	2,354,172
		2,416,771	2,365,258
Non-controlling interests		45,486	42,844
Total equity		2,462,257	2,408,102

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

1. Corporate information

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

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

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2016 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 2015.

2.2 Changes to the Group's accounting policies

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements for the six months ended 30 June 2016 are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2015 and the new and revised International Financial Reporting Standards ("**IFRSs**", which also include IASs and interpretations) that are adopted for the first time for the current period's unaudited interim condensed consolidated financial statements.

2.3 Adoption of new and revised IFRSs

The Group has applied, for the first time, several new standards and amendments in 2016. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

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

Amendments to IFRS 10, IFRS 12 and IAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27 (2011)	Equity Method in Separate Financial Statements
Annual Improvements 2012-2014 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. **Operating segments**

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

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

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

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

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

Six months ended 30 June 2016

	Strollers and accessories *(HK$'000)*	Car seats and accessories *(HK$'000)*	Other durable juvenile products *(HK$'000)*	Consolidated *(HK$'000)*
Segment revenue				
Sales to external customers	1,080,815	1,315,473	818,606	3,214,894
Segment results	376,155	532,384	165,949	1,074,488
Reconciliation:				
Other income				16,494
Corporate and other unallocated expenses				(919,112)
Other expenses				(2,725)
Finance costs				(25,997)
Finance income				2,216
Share of profits of a joint venture				25
Profit before tax				145,389

Six months ended 30 June 2015

	Strollers and accessories *(HK$'000)*	Car seats and accessories *(HK$'000)*	Other durable juvenile products *(HK$'000)*	Consolidated *(HK$'000)*
Segment revenue				
Sales to external customers	1,173,053	1,424,458	1,086,885	3,684,396
Segment results	322,608	516,002	216,402	1,055,012
Reconciliation:				
Other income				50,061
Corporate and other unallocated expenses				(951,317)
Other expenses				(595)
Finance costs				(29,092)
Finance income				3,619
Share of losses of a joint venture				(15)
Profit before tax				127,673

4. **Revenue and other income and gains**

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

	Six months ended 30 June	
	2016	**2015**
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
Revenue:		
Sales of goods	3,214,894	3,684,396
Other income and gains:		
Net foreign exchange gains	1,785	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 sale of materials	1,766	3,541
Government grants (note (a))	6,929	2,087
Gain on wealth investment products (note (b))	3,484	1,892
Service fee income (note (c))	470	665
Compensation income (note (d))	164	181
Net fair value gains on call and put option of acquisition of NICAM A/S	356	—
Others	1,540	326
Total	16,494	50,061

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

5. **Finance income**

	Six months ended 30 June	
	2016	**2015**
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
- Interest income on bank deposits	2,216	3,619

6. **Finance costs**

	Six months ended 30 June	
	2016	**2015**
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
- Interest expense on bank loans and other borrowings	25,997	29,092

7. **Profit before tax**

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

	Six months ended 30 June	
	2016	**2015**
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
Cost of inventories sold	2,140,406	2,811,831
Depreciation of property, plant and equipment	86,965	82,434
Amortisation of intangible assets	11,082	10,513
Amortisation of prepaid land lease payments	1,114	1,116
Research and development costs	151,625	162,087
Lease payments under operating leases in respect of properties	48,614	52,426
Auditors' remuneration	5,635	5,640
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	587,861	566,275
Share option expense	9,168	6,987
Pension scheme costs (defined benefit plans)	576	814
Pension scheme contributions	17,658	20,069
	615,263	594,145

	Six months ended 30 June	
	2016	**2015**
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
Net foreign exchange gains	(1,785)	(31,525)
Impairment of receivables	545	—
Reversal of impairment of receivables	—	(720)
Product warranties and liabilities	16,932	10,736
Write-down of inventories	24,109	—
Reversal of impairment of inventories	—	(4,678)
Net fair value losses/(gains) on derivative instruments not qualifying as hedges	311	(3,167)
Loss on disposal of items of property, plant and equipment	358	1
Bank interest income	(2,216)	(3,619)

8. **Income tax expense**

The Company and its subsidiaries incorporated in the Cayman Islands and Samoa are exempted from taxation.

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

State income tax and federal income tax of the Group's subsidiaries in the United States have been provided for at rates of state income tax and federal income tax on the estimated assessable profits of the subsidiary during the period. The state income tax rates are from 5% to 10% in the respective states where the subsidiary operates, and the federal income tax rates range from 34% to 35% on a progressive basis.

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

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

The Group's 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**") at the rate of 25% on the taxable income as reported in their PRC statutory accounts adjusted in accordance with the Law of the PRC on Enterprise Income Tax (the "**EIT Law**").

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

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

	Six months ended 30 June	
	2016	**2015**
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
Current income tax — PRC		
- Income tax for the period	18,201	6,054
- Under/(over) provision in prior years	566	(909)
	18,767	5,145
German income tax	24,227	33,127
United States state and federal income taxes	2,406	3,249
Hong Kong profits tax	3,376	357
Current — Elsewhere	1,488	1,663
Deferred tax	(14,983)	(7,254)
Income tax expense reported in the consolidated statement of profit or loss	35,281	36,287

9. **Dividends paid and proposed**

The board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

10. **Earnings per share**

The calculation of the basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,110,409,000 in issue during the six months ended 30 June 2016 (six months ended 30 June 2015: 1,101,337,000).

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

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

	Six months ended 30 June	
	2016	*2015*
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Unaudited)*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the earnings per share calculation	107,140	88,332

	Number of shares Six months ended 30 June	
	2016	**2015**
	('000)	*('000)*
	(Unaudited)	*(Unaudited)*
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,110,409	1,101,337
Effect of dilution-weighted average number of ordinary shares:		
Share options	4,059	3,988
	1,114,468	1,105,325

11. **Inventories**

	As at 30 June 2016	As at 31 December 2015
	(HK$'000)	*(HK$'000)*
	(Unaudited)	*(Audited)*
Raw materials	332,278	355,458
Work in progress	57,156	108,014
Finished goods	724,856	781,284
	1,114,290	1,244,756

12. **Trade and notes receivables**

	As at 30 June 2016 (HK$'000) (Unaudited)	As at 31 December 2015 (HK$'000) (Audited)
Trade receivables	656,629	699,039
Notes receivables	13,309	2,507
	669,938	701,546
Impairment for trade receivables	(1,834)	(5,947)
	668,104	695,599

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

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

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

	As at 30 June 2016 (HK$'000) (Unaudited)	As at 31 December 2015 (HK$'000) (Audited)
Within 3 months	617,675	647,127
3 to 6 months	16,783	24,243
6 months to 1 year	10,527	21,204
Over 1 year	9,810	518
	654,795	693,092

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

	As at 30 June 2016 *(HK$'000)* *(Unaudited)*	As at 31 December 2015 *(HK$'000)* *(Audited)*
Unlisted investments, at fair value	243,361	310,347

The above investments consist of investments in wealth investment products which are designated as available-for-sale financial assets and have maturity within one month and coupon rates ranging from 1.49% to 3.70% per annum (2015: ranging from 1.49% to 4.00%).

The wealth investment products are all matured in July 2016 with principals and interests fully received.

14. **Trade and notes payables**

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

	As at 30 June 2016 *(HK$'000)* *(Unaudited)*	As at 31 December 2015 *(HK$'000)* *(Audited)*
Within 3 months	813,739	806,951
3 to 12 months	105,671	128,378
1 to 2 years	6,834	3,466
2 to 3 years	1,667	897
Over 3 years	2,332	1,513
	930,243	941,205

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

15. **Interest—bearing bank loans and other borrowings**

		As at 30 June 2016			As at 31 December 2015		
		Effective interest rate (%)	**Maturity**	**HK$'000**	**Effective interest rate (%)**	**Maturity**	**HK$'000**
				(Unaudited)			*(Audited)*
Current							
Bank borrowings - secured by trade receivables	Note (a)	1.014-1.680	2016	379,081	1.010-1.680	2016	499,925
Current portion of long-term bank loans -guaranteed by the Company and pledged by shares	Note (b)	1.750 + 6M EURIBOR	2016	51,695	1.750 + 6M EURIBOR	2016	29,959
Bank borrowings - secured by a standby letter of credit and time deposits	Note (c)	1.620	2016	50,430	1.620	2016	112,386
Bank borrowings - secured by a letter of guarantee	Note (d)	1.761-1.773	2016	77,586	1.540	2016	38,754
Bank borrowings — unsecured		2.250-2.500	2016	965	2.500	2016	895
Current portion of long-term bank loans — unsecured		—	—	—	2.250	2016	635
Promissory note	Note (e)	6.000	2017	726	—	—	—
Bank borrowings - secured by time deposits		—	—	—	1.580	2016	9,146
Bank overdraft	Note (f)	1.700-1.750	On demand	56,426	—	—	—
				616,909			691,700

		As at 30 June 2016			As at 31 December 2015		
		Effective interest rate (%)	**Maturity**	**HK$'000** *(Unaudited)*	**Effective interest rate (%)**	**Maturity**	**HK$'000** *(Audited)*
Non-current							
Bank borrowings - guaranteed by the Company and secured by a standby letter of credit	Note (g)	2.500 + 6M LIBOR	2018-2021	760,652	2.500 + 6M LIBOR	2018-2021	759,897
Promissory note	Note (e)	6.000	2018-2021	2,482	6.000	2018-2021	3,113
Bank borrowings - guaranteed by the Company and pledged by shares	Note (b)	1.750 + 6M EURIBOR	2017-2018	198,808	1.750 + 6M EURIBOR	2017-2018	242,908
				961,942			1,005,918
Total				1,578,851			1,697,618

Analysed into:	**As at 30 June 2016** *(HK$'000)* *(Unaudited)*	**As at 31 December 2015** *(HK$'000)* *(Audited)*
Bank loans and overdrafts repayable:		
within one year or on demand	616,909	691,700
in the second year	237,461	49,413
in the third to fifth years, inclusive	572,351	651,930
over five years	152,130	304,575
	1,578,851	1,697,618

Note (a): Short-term bank borrowings were obtained from third party financial institutions. As at 30 June 2016, a subsidiary of the Group pledged its trade receivables of approximately HK$399,032,000 (31 December 2015: HK$555,472,000) to secure certain of the Group's bank loans and these trade receivables were eliminated on Group level.

Note (b): Short-term bank borrowings and long-term bank borrowings were guaranteed by the Company and pledged by shares in Columbus Holding GmbH and Cybex GmbH which are subsidiaries of the Group.

Note (c): Short-term bank borrowings were secured by a standby letter of guarantee issued by GCPC, and secured by the pledge of time deposits of GCPC amounting to HK$23,400,000.

Note (d): Short-term bank borrowings were secured by a letter of guarantee issued by GCPC.

Note (e): Loan was borrowed from the US government authority.

Note (f): Bank overdraft facilities amounting to HK$74,829,000, of which HK$56,426,000 had been utilised as at the end of the reporting period, were guaranteed by the Company and a business mortgage letter.

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

MANAGEMENT DISCUSSION AND ANALYSIS OVERVIEW

Delivering Sustainable Growth

During the first half of 2016, the Group has continued to deliver sustainable, quality growth, through the continued execution of the Group's brand driven strategy. The Group has continued its business integration and through synergies it has built firm foundations for the Group's future growth. Putting its consumers first, the Group has worked with its business partners to further enhance the branding and channeling strategies ensuring that in every key market it operates in, its customers can find its brands in the correct channel, online and offline.

In the first half of 2016, the Group's net profit improved by approximately 20.5% to approximately HK$110.1 million from HK$91.4 million as compared to the corresponding period in 2015. This increase was primarily driven by an improvement in gross margin across all product categories and all regions in the first half of 2016 by approximately 4.8% to approximately 33.4%, from approximately 28.6% as compared to the corresponding period in 2015.

This improvement was a result of the planned increase in share of the Group's total revenue made under the Group's own brands which improved to approximately 75.3% in the first half 2016 from approximately 71.8% in the same period in 2015, and a better product mix as a result of lower margin product sales replaced by higher margin product sales. In addition, the continued focus on its supply chain resulted in manufacturing efficiency and procurement savings as the Group implemented the enhanced supply chain strategy.

In the first half of 2016, the Group's revenue fell to approximately HK$3,214.9 million from HK$3,684.4 million, such a decrease of approximately 12.7% primarily driven by the planned reduction in sales from the Group's Blue-Chip business[(1)] due to transformation of the Group's business model from OPM[(2)] to brand-driven, and slower sales in the China market as the management introduced the new branding and channeling strategy.

(1) Blue-Chip Business refers to the Group's business with Blue-Chip Customers. Blue-Chip Customers refer to the Group's customers to whom the sales are made under third parties' brands excluding retailer's private label.

(2) OPM refers to Original Product Manufacture.

Region APAC

In the second half of 2015, the Group launched its exciting new branding and channeling strategic plan reinforcing to build its new business model in the China market under its new management. Being target to complete this within 2016, however as the China market is in transition to the new branding and channeling strategy, the Group's revenue generated in China market accordingly fell in the first half of 2016 to approximately HK$658.8 million from approximately HK$875.1 million in the corresponding period in 2015, representing a decrease of 24.7% (approximately 19.8% in RMB). This decline was mainly impacted within the Happy Dino brand, whilst the Cybex brand increased revenue. Management expects this decline to be temporary as the new branding and channeling strategy is already showing positive results. In the second quarter of 2016, revenue only fell by approximately 18.8%(approximately 13.4% in RMB) as compared to a fall in the first quarter of 2016 of approximately 35.3%(approximately 31.5% in RMB).

Out of China, the Group initiated consolidating and integrating the Group's brand portfolio with goodbaby, Geoby, gb Silver and Evenflo to an optimized brand mix to better utilize the Group's resources and improve the Group's brand portfolio efficiency. As a result, the Group's sales there decreased from approximately HK$ 248.7 million in the corresponding period in 2015 to approximately HK$222.8 million in the first half of 2016.

Region EMEA

In 2015, the Group's revenue generated in the EMEA region grew rapidly, which in turn required organisational and structural changes to be executed in early 2016. In the first half of 2016 the Group's revenue in the EMEA region increased by approximately 18.1% to HK$680.7 million from approximately HK$576.5 million. The management is very encouraged by these results as during the period a complete ERP system upgrade in the region to SAP was completed on time and on budget.

Region Americas

During 2015, the Group reorganized the senior management within the American leadership team, which resulted in the successful turnaround of the Evenflo business ahead of schedule. In the first half of 2016, management has focused on the integration of the operational platform and driving synergies within all the teams in the region and also further improved profitability of Evenflo business (Note: EBIT margin improved by 3.2% to 5.9% resulting EBIT doubled comparing those numbers for the first half of 2015). A particular focus has been the continued upgrade of management and the successful introduction of the Group's branding and channeling strategies into the American and Canadian market places. As a result of these changes, revenue in the first half of 2016 reduced modestly by approximately 5.7% to approximately HK$ 958.4 million from approximately HK$ 1,016.4 million in the corresponding period in 2015.

Blue Chip Business

In the first half of 2016, revenue fell as planned by approximately 28.3% from approximately HK$967.7 million in the corresponding period in 2015 to approximately HK$694.2 million mainly as a result of expected decline in sales to its largest Blue-Chip Customer due to the transformation of the Group's business model from OPM to brand-driven. As planned the Group will continue to grow its blue chip business with its key customers, and this revenue continues to be a key focus for the Group.

Integration continues

The Group now operates under a one-dragon, vertically integrated business model. The Group has organised its structure for growth into five functions; technical services, supply chain, brands, national and international sales, and general services which includes finance, human resources and IT across 3 regions, Americas, EMEA and APAC.

The newly introduced group supply chain strategy has started to show strong results, delivering cost savings in procurement and efficiencies improvements in its manufacturing facilities in China and Americas.

The Group has established faster technology services in regional areas. By utilizing these synergies and efficiencies, the Group targets to reduce the time to market and support the global company growth. Defining standard processes through its global technologies team improves the development of new products and increases its agility. As a result the Group can respond faster to market.

The Group has continued to unify its national distribution teams in each region improving service levels to each of its customers, and reducing the time it takes to deliver to market.

Strong leadership, and strategic appointment

The Group has always focused on strong entrepreneurial leadership, on 15 January 2016, Mr. Martin Pos succeeded Mr. Song Zhenghuan as Chief Executive Officer ("**CEO**") of the Company, and on 25 July 2016, Mr. Jan Rezab was appointed as executive Director of the Company and CEO Digital Technologies of the Group.

Mr. Jan Rezab, with his exceptional vision and knowledge about innovative digital technology, is primarily responsible for setting up and implementing the digital part of the Group's BOOM strategy which integrates branding with the online-to-offline business model and leverages mobile devices. He will lead the Group's sixth business unit to build up an eco-system for its fans connected through applications and smart mobile devices, speeding up the Group's digital evolution and taking the Group's comprehensive competence to the next level.

In January 2016 in Europe, Mr. Johannes Schlamminger succeeded Mr. Martin Pos as CEO of Cybex and gb brands, and in March 2016 the Group appointed Mr. Kim Zhao as CEO of Rollplay brand. The Group now has extensive experienced and talented leadership for all four of its strategic brands.

More Opportunities Ahead

During the first half of 2016, the Group has focused on operational integration and strengthening its management structure in each of its key regions. The Group has implemented globally its branding and channeling strategies, which over the coming months will deliver improved results for the Group as its fans will easily be able to find the brand of their choice in the channel they expect it, online and offline. The Group has successfully begun the global roll out of the SAP ERP system, which will be a foundation for realizing efficiency and synergy through its global operations. Whilst doing this, the Group has improved its profit performance at all levels. In the second half of 2016, the Group expects improving performance from its strategic brands in each region, although it would expect the China market to remain challenging whilst on an improving trend. The Group expects the current profit performance trend will continue.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2016, the total revenue of the Group decreased by 12.7% from approximately HK$3,684.4 million for the six months ended 30 June 2015 to approximately HK$3,214.9 million for the six months ended 30 June 2016, of which the revenue from the Group's own brands contributed approximately 75.3% of the Group's total revenue for the six months ended 30 June 2016 compared to approximately 71.8% for the six months ended 30 June 2015.

Revenue by business format

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

	For the six months ended 30 June				**Growth analysis by comparing 2016 with 2015**
	2016		**2015**		
	Sales *(HK$ million)*	**Total % of sales**	**Sales** *(HK$ million)*	**Total % of sales**	
Group's own brand and retailer's private label	2,520.7	78.4	2,716.7	73.7	-7.2%
APAC	881.6	27.4	1,123.8	30.5	-21.6%
EMEA	680.7	21.2	576.5	15.6	18.1%
Americas	958.4	29.8	1,016.4	27.6	-5.7%
Blue-Chip Business	694.2	21.6	967.7	26.3	-28.3%
Total	3,214.9	100.0	3,684.4	100.0	-12.7%

The decrease of the Group's own brand and retailer's private label business was primarily attributable to the decrease in China market following the implementation of the Group's new branding and channeling strategy in China market. The decrease in China market was mainly due to the decrease of sales in Happy Dino brand which was partially offset by fast growth of CYBEX brand.

The decrease of Blue-Chip Business was mainly due to the expected decrease of sales from the largest Blue-Chip Customer due to the transformation of the Group's business model from OPM to brand-driven.

Revenue by Products

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

	For the six months ended 30 June				Growth analysis by comparing 2016 with 2015
	2016		2015		2015
	Sales *(HK$ million)*	**Total % of sales**	**Sales** *(HK$ million)*	**Total % of sales**	**Growth**
Strollers and accessories	1,080.8	33.6	1,173.1	31.8	-7.9%
Car-seats and accessories	1,315.5	40.9	1,424.4	38.7	-7.7%
Other durable juvenile products	818.6	25.5	1,086.9	29.5	-24.7%
Total:	3,214.9	100.0	3,684.4	100.0	-12.7%

Decrease of sales in each product category was primarily attributable to planned continuous reduction of sales from the Group's Blue-Chip business, decrease of sales under Happy Dino brand in China and optimization of our product line mix for better profitability which resulted improved gross margin of the Group across all product categories.

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales decreased by approximately 18.6% from HK$2,629.4 million for the six months ended 30 June 2015 to HK$2,140.4 million for the six months ended 30 June 2016. The decrease was mainly due to the Group's continual implementation of cost saving and efficiency improvement and decrease in sales volume.

As a result of the foregoing, the gross profit for the Group increased from approximately HK$1,055.0 million for the six months ended 30 June 2015 to approximately HK$1,074.5 million for the six months ended 30 June 2016, and the gross profit margin increased from approximately 28.6% for the six months ended 30 June 2015 to approximately 33.4% for the six months ended 30 June 2016.

Other Income and Gains

Other income and gains of the Group decreased by HK$33.6 million from approximately HK$50.1 million for the six months ended 30 June 2015 to approximately HK$16.5 million for the six months ended 30 June 2016. The decrease was mainly attributable to the decrease in foreign exchange gains.

Selling and Distribution Costs

The Group's selling and distribution costs primarily consist of marketing expenses, salaries and transportation costs. The selling and distribution costs decreased from approximately HK$511.4 million for the six months ended 30 June 2015 to approximately HK$458.7 million for the six months ended 30 June 2016, which was mainly attributable to the decrease in transportation costs and other expenses.

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$439.9 million for the six months ended 30 June 2015 to approximately HK$460.4 million for the six months ended 30 June 2016. The increase was mainly due to the increase in employee costs .

Other Expenses

Other expenses of the Group increased to approximately HK$2.7 million for the six months ended 30 June 2016 from approximately HK$0.6 million for the six months ended 30 June 2015.

Operating Profit

As a result of the foregoing, the Group's operating profit increased by approximately 10.4%, or HK$15.9 million, from approximately HK$153.2 million for the six months ended 30 June 2015 to approximately HK$169.1 million for the six months ended 30 June 2016.

For the six months ended 30 June 2016, the Group's operating margin increased from approximately 4.2% for the six months ended 30 June 2015 to 5.3%, which was primarily attributable to gross margin improvement.

Finance Income

For the six months ended 30 June 2016, the Group's finance income decreased by approximately 38.8%, or HK$1.4 million, from approximately HK$3.6 million for the six months ended 30 June 2015 to approximately HK$2.2 million. The Group's finance income mainly represents interest income from bank deposits.

Finance Costs

For the six months ended 30 June 2016, the Group's finance costs decreased by 10.6%, or HK$3.1 million, from approximately HK$29.1 million for the six months ended 30 June 2015 to approximately HK$26.0 million. The decrease for the six months ended 30 June 2016 was mainly attributable to the decrease in bank loans.

Profit Before Tax

As a result of the foregoing, the profit before tax of the Group increased by 13.9% from approximately HK$127.7 million for the six months ended 30 June 2015 to approximately HK$145.4 million for the six months ended 30 June 2016.

Income Tax Expenses

The Group's income tax expenses were approximately HK$35.3 million for the six months ended 30 June 2016, whereas income tax expenses were approximately HK$36.3 million for the six months ended 30 June 2015.

Profit for the Period

Profit of the Group for the six months ended 30 June 2016 increased by 20.5% from approximately HK$91.4 million for the six months ended 30 June 2015 to approximately HK$110.1 million for the six months ended 30 June 2016.

Working Capital and Financial Resources

	As at 30 June 2016 *(HK$ million)*	As at 31 December 2015 *(HK$ million)*
Trade and notes receivables (including trade receivables due from a related party)	1,061.5	1,005.3
Trade and notes payables	930.2	941.2
Inventories	1,114.3	1,244.8
Trade and notes receivables turnover days[(1)]	59	62
Trade and notes payables turnover days[(2)]	80	77
Inventories turnover days[(3)]	100	104

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 increase of trade and notes receivables was mainly attributable to the increase in trade receivables due to sales increased near period end.

The decrease of trade and note payables was mainly attributable to the decrease of the strategic procurement amount near period year.

The decrease of inventories was mainly due to the better control of inventory level.

Liquidity and Financial Resources

As at 30 June 2016, the Group's monetary assets, including cash and cash equivalents, time deposits, pledged time deposits and available-for-sale investments, were approximately HK$1,035.4 million (as at 31 December 2015: approximately HK$1,045.6 million).

As at 30 June 2016, the Group's interest-bearing bank loans and other borrowings were approximately HK$1,578.9 million (as at 31 December 2015: approximately HK$1,697.6 million), including short-term bank loans of approximately HK$616.9 million (as at 31 December 2015: approximately HK$691.7 million) and long-term bank loans and long-term other borrowings with repayment terms ranging from three to seven years of approximately HK$962.0 million (as at 31 December 2015: HK$1,005.9 million).

As a result, as at 30 June 2016, the Group's net debt position was approximately HK$543.5 million (as at 31 December 2015: approximately HK$652.0 million).

Contingent Liabilities

As at 30 June 2016, the Group had no material contingent liabilities (as at 30 June 2015: nil).

Exchange Rate Fluctuations

The Group's sales is mainly denominated in U.S. dollars, Renminbi and Euro. The Group's procurement is mainly denominated in Renminbi and U.S. dollars, and the operating expenses of the Group are primarily paid in U.S. dollars, Renminbi and Euro. For the six months ended 30 June 2016, approximately 58.9% of the Group's revenue was denominated in U.S. dollars, approximately 23.0% was denominated in Renminbi and approximately 14.1% was denominated in Euro. Approximately 64.6% of the cost of sales of the Group was denominated in Renminbi, approximately 17.8% was denominated in U.S. dollars and approximately 11.0% was denominated in Euro. Approximately 44.9% of the Group's operating expenses was denominated in Renminbi; approximately 24.3% was denominated in Euro and approximately 27.0% was denominated in U.S. dollars. The Group's gross profit margin will be adversely affected if the U.S. dollar depreciates against Renminbi and the Group is unable to increase the U.S. dollar selling prices of the products or unable to reduce the procurement price, or if Euro depreciates against RMB and the Group is unable to increase the Euro selling price of the products or unable to reduce the procurement price. The U.S. dollar appreciated by approximately 2.1% against the Renminbi, and Euro appreciated by approximately 3.9% against the Renminbi during the six months ended 30 June 2016.

As at 30 June 2016, the Group's balance of forward foreign exchange contracts was approximately US$29.8 million, with the exchange rate of Euro to U.S. dollar ranging from 1.0700 to 1.1362.

Pledge of Assets

As at 30 June 2016, some of the Group's interest-bearing bank borrowings and other borrowings were pledged by intragroup trade receivables of approximately HK$ 399.0 million (as at 31 December 2015: approximately HK$555.5 million), time deposits of approximately HK$23.4 million (as at 31 December 2015: HK$27.2 million), and such trade receivables were eliminated by offsetting in the consolidated financial statements of the Group.

Gearing Ratio

As at 30 June 2016, the Group's gearing ratio (calculated by net debt divided by the sum of equity attributable to owners of the parent and net debt; the amount of net debt is calculated by the sum of trade and notes payables, other payables, advances from customers and accruals and interest-bearing bank loans and other borrowings (current and non-current) minus cash and cash equivalents) was approximately 48.6% (as at 31 December 2015: approximately 50.3%).

Employees and Remuneration Policy

As at 30 June 2016, the Group had a total of 12,584 full-time employees (as at 30 June 2015, the Group had a total of 12,263 full-time employees). For the six months ended 30 June 2016, costs of employees, excluding directors' emoluments, amounted to a total of HK$ 595.3 million (for the six months ended 30 June 2015, costs of employees, excluding directors' emoluments, amounted to a total of HK$583.9 million). The Group determined the remuneration packages of all employees with reference to individual performance and current market salary scale. The Group provides its employees in the PRC and other countries and regions with welfare schemes as required by applicable local laws and regulations.

On 5 November 2010, the Company has also adopted a share option scheme to award employees who may have contribution to the Group.

As at 31 December 2015, the outstanding share options were 87,929,000. During the six months ended 30 June 2016, 4,072,000 share options had lapsed and 6,174,000 share options had been exercised. As at 30 June 2016, 77,683,000 share options were outstanding.

OTHER INFORMATION

Purchase, Sales or Redemption of Shares

During the six months ended 30 June 2016, 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 2016 (six months ended 30 June 2015: Nil).

Corporate Governance

The Board has committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and formulate its business strategies and policies as well as to enhance corporate value and accountability.

The Company has applied the principles set out in the Code on Corporate Governance Practices ("**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and has also put in place certain recommended best practices as set out in the CG Code.

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and CEO should be separate and should not be performed by the same individual.

Mr. Song Zhenghuan is an executive Director, the chairman and CEO of the Company and the founder of the Group. On 15 January 2016, Mr. Martin Pos, an executive Director and the deputy chief executive officer of the Company, has succeeded Mr. Song as the CEO of the Company and Mr. Song remains as the chairman of the Board and an executive Director. The Company has complied with code provision A.2.1 of the CG Code since then, as the roles of chairman and CEO are separated and performed by different individuals.

In this connection, the Board is of the opinion that the Company has complied with all the code provisions since 15 January 2016.

Model Code for Securities Transactions by Directors

Since the listing of the Company on the Main Board of the Stock Exchange on 24 November 2010, the Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code for the dealings in securities transactions by the Directors. Having made specific enquiries with all Directors of the Company, they have confirmed that they complied with the required standard of dealings set out in the Model Code throughout the six months ended 30 June 2016.

Audit Committee

As at the date of this announcement, the audit committee of the Company (the "**Audit Committee**") consists of Mr. Iain Ferguson Bruce, Mr. Shi Xiaoguang and Ms. Chiang Yun. The chairman of the Audit Committee is Mr. Iain Ferguson Bruce. The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2016 have been reviewed by the Audit Committee.

The unaudited interim results for the six months ended 30 June 2016 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.

Publication of Interim Report

This interim results announcement is published on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.gbinternational.com.hk). The interim report of the Company for the six months ended 30 June 2016 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available for review on the same websites in due course.

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

Hong Kong, 29 August 2016

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