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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

Financial Highlights

- Revenue for the year ended 31 December 2017 was HK$7,142.6 million, increased by HK$904.4 million or by 14.5% as compared with HK$6,238.2 million for the corresponding period in 2016, which was mainly attributable to the strong growth in revenue from business under our key strategic brands and the consolidation of revenue from the Acquired Business[1] generated from 24 October 2017 to 31 December 2017 (the "Consolidation Period").
- Gross profit for the year ended 31 December 2017 was HK$2,746.8 million, increased by 30.1% as compared with HK$2,111.5 million for the corresponding period in 2016.

  Gross profit margin for the year ended 31 December 2017 was 38.5%, increased by 4.7% as compared with 33.8% for the corresponding period in 2016, which was mainly attributable to the increased revenue contribution from our key strategic brands which has higher gross profit margin, improvement in cost competitiveness and the consolidation of the revenue from the Acquired Business during the Consolidation Period which also has higher gross profit margin.
- Reported profit for the year ended 31 December 2017 was HK$184.4 million, decreased by 13.1% as compared with HK$212.2 million for the corresponding period in 2016, which translated to a net margin of 2.6% for the year ended 31 December 2017 as compared with 3.4% for the corresponding period in 2016.

  The decrease in reported profit for the year is attributable to certain one-off costs and finance cost related to the Acquisition[2], provision for potential uncollectible receivables related to the liquidation of a leading customer and one-off unfavorable deferred tax assets adjustment due to the U.S. tax reform, while in 2016 we recorded a one-off favorable deferred tax assets adjustment.
- As reference, our non-GAAP[3] profit for the year ended 31 December 2017 was HK$293.7 million, increased by 32.7%% as compared with HK$221.3 million for the corresponding period in 2016, which translated to a non-GAAP net margin of 4.1% for the year ended 31 December 2017 as compared with 3.5% for the corresponding period in 2016.

1. The Acquired Business refers to the business acquired by the Group through the Acquisition.
2. The Acquisition refers to the Group's acquisition of Oasis Dragon Limited which was completed on 23 October 2017 (the "Completion Date").
3. We adopted non-GAAP financial measures in order to more clearly illustrate our financial results, and to be more consistent with what we believe to be the industry practice. These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, analysis of the Company's financial performance prepared in accordance with IFRS. In addition, these non-GAAP financial measures may be defined differently from similar terms used by other companies. Please see "Non-GAAP Financial Measures" for details.

Key Financial Figures on Reported Basis

	For the year ended 31 December 2017 *(HK$ million)*	% of revenue	For the year ended 31 December 2016 *(HK$ million)*	% of revenue	Growth rate
Revenue	7,142.6	100.0	6,238.2	100.0	14.5%
Gross profit	2,746.8	38.5	2,111.5	33.8	30.1%
Operating profit[1]	312.5	4.4	213.6	3.4	46.3%
Profit for the year	184.4	2.6	212.2	3.4	-13.1%
Non-GAAP operating profit	414.6	5.8	342.7	5.5	21.0%
Non-GAAP profit for the year	293.7	4.1	221.3	3.5	32.7%

Key Financial Figures on Pro Forma[2] Basis

	For the year ended 31 December 2017			For the year ended 31 December 2016		
	Original Business[3] *(HK$ million)*	Acquired Business *(HK$ million)*	Pro Forma Consolidated *(HK$ million)*	Original Business *(HK$ million)*	Acquired Business *(HK$ million)*	Pro Forma Consolidated *(HK$ million)*
Revenue	6,723.9	2,741.7	8,626.4	6,238.2	2,265.2	7,724.4
Revenue from sales to customers other than the Acquired Business	5,884.7	2,741.7	8,626.4	5,459.2	2,265.2	7,724.4
Revenue from sales to the Acquired Business	839.2	—	—	779.0	—	—
Non-GAAP gross profit	2,536.0	1,170.0	3,706.0	2,118.8	954.1	3,072.9
Non-GAAP operating profit	377.1	318.6	695.7	342.7	175.2	517.9

1. Operating profit represents the total sum of gross profit, other income and gains, selling and distribution expenses, administrative expenses and other expenses.

2. We presented the pro forma consolidated financial figures for the purpose of illustrating the effect on the revenue, non-GAAP gross profit and non-GAAP operating profit of the Original Business and Acquired Business as if the Acquisition had been completed on 1 January 2016. The pro forma consolidated financial figures have been prepared for the illustrative purposes only and are based on a number of assumptions, estimates and uncertainties. The pro forma consolidated financial figures should be considered in addition to, not as a substitute for, analysis of the Company's financial performance prepared in accordance with IFRS.

3. Original Business represents the business of the Group excluding the Acquired Business.

The board (the "**Board**") of directors (the "**Directors**") of Goodbaby International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the consolidated results of the Group for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016 as below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2017

	Notes	**2017** *(HK$'000)*	**2016** *(HK$'000)*
Revenue	4	7,142,566	6,238,179
Cost of sales		(4,395,786)	(4,126,715)
Gross profit		2,746,780	2,111,464
Other income and gains	4	41,115	59,101
Selling and distribution expenses		(1,332,515)	(982,468)
Administrative expenses		(1,103,495)	(924,260)
Other expenses		(39,429)	(50,199)
Finance income	5	4,617	3,347
Finance costs	6	(65,506)	(55,166)
Share of (losses)/gains of joint ventures		(29)	26
PROFIT BEFORE TAX	7	251,538	161,845
Income tax (expense)/credit	8	(67,132)	50,395
PROFIT FOR THE YEAR		184,406	212,240
Attributable to:			
Owners of the parent		179,350	207,390
Non-controlling interests		5,056	4,850
		184,406	212,240
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:	10		
Basic			
For profit for the year (HK$)		0.15	0.19
Diluted			
For profit for the year (HK$)		0.15	0.19

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2017

	2017 (HK$'000)	2016 (HK$'000)
PROFIT FOR THE YEAR	184,406	212,240
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Cash flow hedges		
Effective portion of changes in fair value of hedging instruments arising during the period	(4,806)	—
Reclassification adjustments for losses included in the consolidated statement of profit or loss	20,165	—
Income tax effect	(2,899)	—
	12,460	—
Exchange differences on translation of foreign operations	251,305	(113,144)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	263,765	(113,144)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Actuarial gains of defined benefit plans	2,942	4,345
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	2,942	4,345
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	266,707	(108,799)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	451,113	103,441
Attributable to:		
Owners of the parent	443,445	100,348
Non-controlling interests	7,668	3,093
	451,113	103,441

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2017

	Notes	31 December 2017 (HK$'000)	31 December 2016 (HK$'000)
NON-CURRENT ASSETS			
Property, plant and equipment		1,040,743	858,194
Prepaid land lease payments		55,740	53,895
Goodwill		2,789,325	811,662
Other intangible assets		2,371,199	655,866
Investment in joint ventures		5,216	814
Deferred tax assets		112,980	130,880
Other long-term assets		7,224	7,845
Total non-current assets		6,382,427	2,519,156
CURRENT ASSETS			
Inventories	11	1,861,276	1,099,846
Trade and notes receivables	12	1,171,738	644,440
Prepayments and other receivables		337,215	187,381
Due from related parties		—	284,395
Available-for-sale investments	13	138,088	—
Cash and cash equivalents		952,153	758,153
Time deposits		84,054	—
Pledged time deposits		15,370	25,367
Derivative financial instruments	14	22,250	—
Total current assets		4,582,144	2,999,582
CURRENT LIABILITIES			
Trade and bills payables	15	1,312,573	926,464
Other payables, advances from customers and accruals		904,996	557,925
Due to related parties		99,143	—
Income tax payable		55,483	28,307
Provision		39,200	63,928
Interest-bearing bank loans and other borrowings	16	1,341,663	278,236
Derivative financial instruments	14	4,408	—
Defined benefit plan liabilities		391	388
Dividends payable		8	8
Total current liabilities		3,757,865	1,855,256

	Notes	31 December 2017 (HK$'000)	31 December 2016 (HK$'000)
NET CURRENT ASSETS		824,279	1,144,326
TOTAL ASSETS LESS CURRENT LIABILITIES		7,206,706	3,663,482
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	16	1,395,136	950,521
Provision		54,717	63,708
Defined benefit plan liabilities		11,049	12,717
Other liabilities		14,089	12,475
Deferred tax liabilities		565,848	145,899
Total non-current liabilities		2,040,839	1,185,320
Net assets		5,165,867	2,478,162
EQUITY			
Equity attributable to owners of the parent			
Share capital		16,662	11,151
Reserves		5,091,222	2,429,129
		5,107,884	2,440,280
Non-controlling interests		57,983	37,882
Total equity		5,165,867	2,478,162

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. CORPORATE AND GROUP INFORMATION

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

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

Information about subsidiaries

Particulars of the Company's principal subsidiaries as at the reporting date are as follows:

Name of company	Place and date of incorporation/ registration	Percentage of equity interest attributable to the Company		Paid-in/issued and fully paid share capital	Principal activities
Subsidiaries		**Direct**	**Indirect**		
Goodbaby (Hong Kong) Limited ("GBHK")	Hong Kong, 23 July 1999	100%	—	HK$1,000	Investment holding and sales agent company
Goodbaby Child Products Co., Ltd. ("GCPC")	The People's Republic of China ("PRC"), 18 November 1994	—	100%	US$52,000,000	Manufacture, distribution and sale of safety belts, cloth sets, car safety seats, car components for children, infant strollers and bicycles
Ningbo Goodbaby Child Products Co., Ltd. ("GCPN")	PRC, 9 September 1996	—	85%	RMB10,000,000	Manufacture, distribution and sale of child cloth beds, infant strollers, bath chairs for children and stadium chairs
Paragon Child Product Co., Ltd. ("PCPC")	PRC, 2009	—	100%	RMB10,000,000	Manufacture, distribution and sale of bicycles, sports utilities, e-cars and wooden products.
Pingxiang Goodbaby Child Products Co., Ltd. ("GCPX")	PRC, 26 December 2011	—	100%	RMB2,000,000	Manufacture, distribution and sale of child cloth beds, infant strollers, bath chairs for children and stadium chairs
Jiangsu EQO Testing Services Co., Ltd. ("EQTC")	PRC, 30 November 2012	—	100%	RMB5,000,000	Testing of children's products, tools, electronic products and advisory for risk valuation of product quality
Serena Merger Co., Inc. ("SERE")	U.S., 16 May 2014	—	100%	US$1,000	Investment holding

Name of company	Place and date of incorporation/ registration	Percentage of equity interest attributable to the Company		Paid-in/issued and fully paid share capital	Principal activities
Subsidiaries		Direct	Indirect		
Evenflo Company, Inc. ("EFCD")	U.S., 1 October 1992	—	100%	US$86,500	Manufacture of baby care products
Muebles Para Ninos De Baja, S.A. De C.V. ("EFMX")	Mexico, 29 June 1987	—	100%	Peso1,720,000	Manufacture of baby care products
Evenflo Canada Inc. ("EFCA")	Canada, 18 March 1991	—	100%	US$7,000	Manufacture of baby care products
Columbus Trading-Partners GmbH & Co. KG ("CTPE")	Germany, 26 February 2016	—	100%	EUR100	Trading and sale of child cloth beds, infant strollers, bath chairs for children and stadium chairs
Goodbaby Czech Republic s.r.o. ("GBCZ")	Germany, 25 August 2016	—	100%	CZK200,000.00	IT services and a share service center
Goodbaby (Europe) Gmbh & Co KG ("GEGC")	Germany, 28 January 2014	—	100%	EUR100	Purchase, sale, holding and management of participating interests and development and production of child car-seats, strollers, child carrying systems, pushchairs, high chairs and other products for children
Cybex GmbH ("CBGM")	Germany, 5 March 2014	—	100%	EUR33,400	Trading of car-seats, strollers, child carrying systems, pushchairs, high chairs and other products for children
GB GmbH ("GBGM")	Germany, 21 August 2015	—	100%	EUR25,000	Investment holding
Columbus Trading Partners USA Inc. ("CBUS")	U.S., 24 November 2014	—	100%	US$1	Investment holding
Columbus Trading Partners Scandinavia A/S ("CBDK")	Denmark, 1 September 2015	—	70%	DKK500,000	Trading of car-seats, strollers, child carrying systems, pushchairs, high chairs and other products for children and any related activities of the board of directors
Oasis Dragon Limited ("ODLI")	Samoa, 13 November 2015	100%	—	US$1	Investment holding
Goodbaby (China) Retail & Service Company ("GRCN")	PRC, 11 May 2016	—	100%	RMB50,000,000	Wholesale and retail of children's products

Name of company	Place and date of incorporation/ registration	Percentage of equity interest attributable to the Company		Paid-in/issued and fully paid share capital	Principal activities
Subsidiaries		**Direct**	**Indirect**		
Shanghai Goodbaby Children Fashion Co., Ltd. ("SHFS")	PRC, 20 January 1998	—	100%	RMB10,000,000	Distribution and retail business of children's products
Goodbaby Nantong Fashion Co., Ltd. ("NTFS")	PRC, 19 March 2015	—	80%	RMB10,000,000	Wholesale and retail of children's products

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for call and put options over non-controlling interests, derivative financial instruments and available-for-sale investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements:

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in Annual Improvements to IFRSs 2014-2016 Cycle	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS12*

None of the above amendments to IFRSs has had a significant financial effect on these financial statements. Disclosure has been made to the financial statements upon the adoption of amendments to IAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

3. OPERATING SEGMENT INFORMATION

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, manufacture and sale 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, manufacture and sale of car seats and accessories under the Group's own brands and third parties' brands;

(c) Others segment, which engages in the research, design, manufacture and sale of 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.

Year ended 31 December 2017

	Strollers and accessories *(HK$'000)*	**Car seats and accessories** *(HK$'000)*	**Others** *(HK$'000)*	**Consolidated** *(HK$'000)*
Segment revenue				
Sales to external customers	2,275,317	2,877,287	1,989,962	7,142,566
Segment results	801,111	1,315,575	630,094	2,746,780
Reconciliation:				
Other income				41,115
Corporate and other unallocated expenses				(2,436,010)
Other expenses				(39,429)
Finance income				4,617
Finance costs				(65,506)
Share of losses of joint ventures				(29)
Profit before tax				251,538
Other segment information:				
Impairment losses recognised in the statement of profit or loss	9,298	17,833	15,125	42,256
Depreciation and amortisation	98,648	76,174	54,149	228,971

Year ended 31 December 2016

	Strollers and accessories (HK$'000)	*Car seats and accessories (HK$'000)*	*Others (HK$'000)*	*Consolidated (HK$'000)*
Segment revenue				
Sales to external customers	1,927,318	2,613,735	1,697,126	6,238,179
Segment results	628,317	1,080,972	402,175	2,111,464
Reconciliation:				
Other income				59,101
Corporate and other unallocated expenses				(1,906,728)
Other expenses				(50,199)
Finance income				3,347
Finance costs				(55,166)
Share of gains of a joint venture				26
Profit before tax				161,845
Other segment information:				
Impairment losses recognised in the statement of profit or loss	13,924	8,824	12,377	35,125
Depreciation and amortisation	82,070	65,197	51,473	198,740

Geographical information

(a) **Revenue from external customers**

	European market *(HK$'000)*	North America market *(HK$'000)*	Mainland China market *(HK$'000)*	Other markets *(HK$'000)*	Total *(HK$'000)*
Year ended 31 December 2017					
Segment revenue:					
Sales to external customers	2,032,216	2,819,528	1,681,228	609,594	7,142,566
Year ended 31 December 2016					
Segment revenue:					
Sales to external customers	1,843,560	2,660,328	1,155,305	578,986	6,238,179

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

(b) **Non-current assets**

	2017 *(HK$'000)*	**2016** *(HK$'000)*
Mainland China	4,360,049	624,385
North America	1,023,544	1,026,222
Europe	879,492	732,321
	6,263,085	2,382,928

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

Information about a major customer

During the year ended 31 December 2017, revenue from sales to a major customer of 3rd party accounting for 10% or more of the total net sales of the Group is HK$814,170,000 (2016: HK$738,414,000). The revenue from sales to this customer was derived from sales by the strollers and accessories, car seats and accessories and others segments, including sales to a group of entities which are known to be under common control with this customer. There was no other single customer accounted for 10% or more of the total net sales of the Group in 2017. There was no other single customer accounted for 10% or more of the total net sales of the Group in 2016, except a related party.

4. REVENUE, OTHER INCOME AND GAINS

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

	2017 *(HK$'000)*	**2016** *(HK$'000)*
Revenue:		
Sales of goods	7,142,566	6,238,179
Other income and gains:		
Government grants (note (a))	25,658	16,916
Gain on sale of materials	3,317	1,167
Gain on wealth investment products (note (b))	264	5,879
Compensation income (note (c))	3,747	4,177
Service fee income (note (d))	373	1,095
Foreign exchange differences, net	—	27,827
Fair value gains, net		
Cash flow hedges (transfer from equity)	1,435	—
Derivative instruments — transactions not qualifying as hedges	3,434	923
Others	2,887	1,117
Total	41,115	59,101

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.

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

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

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

5. FINANCE INCOME

	2017	*2016*
	(HK$'000)	*(HK$'000)*
Interest income on bank deposits	4,617	3,347

6. FINANCE COSTS

	2017	**2016**
	(HK$'000)	*(HK$'000)*
Interest on bank loans	65,506	55,166

7. PROFIT BEFORE TAX

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

	2017	2016
	(HK$'000)	*(HK$'000)*
Cost of inventories sold	4,395,786	4,126,715
Cost of services provided	505	848
Depreciation of items of property, plant and equipment	195,180	175,001
Amortisation of intangible assets	31,811	21,643
Amortisation of land lease payments	1,980	2,096
Research and development costs ("R&D")	376,077	308,814
Lease payments under operating leases in respect of properties	117,502	92,618
Auditors' remuneration	9,148	8,403
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	1,398,483	1,330,304
Pension scheme contributions	60,037	57,879
Pension scheme costs (defined benefit plans)(including administrative expense)	3,014	1,994
Share option expense	8,910	16,507
	1,470,444	1,406,684
Transaction costs for acquisitions of subsidiaries	27,298	—
Net foreign exchange loss/(gain)	23,217	(27,827)
Impairment of trade receivables	34,286	8,076
Impairment of property, plant and equipment	—	6,797
Write-down of inventories	7,970	20,252
Product warranties and liabilities	31,205	41,419
Fair value gains, net		
Cash flow hedges (transfer from equity)	(1,435)	—
Derivative instruments — transactions not qualifying as hedges	(3,434)	(923)
Loss on disposal of items of property, plant and equipment	9,457	22,991
Bank interest income	(4,617)	(3,347)

8. INCOME TAX

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

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

State income tax and federal income tax of the Group's subsidiary in the United States have been provided for at rates of state income tax and federal income tax on the estimated assessable profits of the subsidiary during the year. The state income tax rates are 5% and 9.99% in the respective states where the subsidiary operates, and the federal income tax rates range from 34% to 35% on a progressive basis. The federal income tax rate was lowered to 21% effective from 1 January 2018, as a result of U.S. tax reform enacted in December 2017.

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 subsidiary registered in the Czech Republic is subject to income tax based on the taxable income at the rates of 19%.

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, at the rate of 25%.

Pursuant to relevant tax rules under the EIT Law and with the approval from the relevant tax authorities in the PRC, two of the Group's subsidiaries, Goodbaby Child Products Co., Ltd. ("GCPC") and Jiangsu EQO Testing Services Co., Ltd. ("EQTC") are qualified as a "High and New Technology Enterprise" and are entitled to a preferential tax rate of 15% from 2017 to 2019 and from 2016 to 2018, respectively.

The major components of income tax (credit)/expense of the Group are as follows:

	2017	**2016**
	(HK$'000)	*(HK$'000)*
Current - income tax		
Charge for the year	51,809	89,064
Under provision in prior years	—	122
Deferred income tax	15,323	(139,581)
Income tax expense/(credit) reported in the statement of profit or loss	67,132	(50,395)

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

	2017	**2016**
	(HK$'000)	*(HK$'000)*
Profit before tax	251,538	161,845
Expected income tax based on different rates applicable to profits in the countries covered	67,403	47,539
Effect of changes in the U.S. tax rate on deffered tax asset balance*	21,373	—
Temporary difference for which deferred tax assets have not been recognised	353	18,102
Recognition of deferred tax assets related to previously unrecognised deductible temporary differences and tax losses	—	(104,023)
Tax credit arisng from additional deduction of R&D expenditures of PRC subsidiaries	(18,510)	(8,783)
Underprovision in prior years	—	122
Tax loss utilised from prior years	—	(3,835)
Tax effect on non-taxable income	(11,222)	(6,084)
Tax effect on non-deductible expenses	7,735	6,567
Income tax expense/(credit)	67,132	(50,395)

* Tax reform was enacted in U.S. on December 22, 2017, which led to the federal tax rate change on ending deferred taxes from 35% to 21% and a deemed repatriation of unremitted foreign earnings.

9. DIVIDENDS

	2017	**2016**
	(HK$'000)	*(HK$'000)*
Final dividend proposed subsequent to the reporting period — HK$ 0.05 (2016: HK$0.05) per ordinary share	83,313	55,759

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,222,434,000 in issue during the year (2016: 1,112,749,000).

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

The calculation of earnings per share is based on:

	2017	2016
	(HK$'000)	*(HK$'000)*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	179,350	207,390

	2017	2016
	('000)	*('000)*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,222,434	1,112,749
Effect of dilution - weighted average number of ordinary shares:		
Share options	9	5,144
Total	1,222,443	1,117,893

11. INVENTORIES

	2017	2016
	(HK$'000)	*(HK$'000)*
Raw materials	370,746	309,450
Work in progress	77,049	55,664
Finished goods	1,413,481	734,732
	1,861,276	1,099,846

12. TRADE AND NOTES RECEIVABLES

	2017	**2016**
	(HK$'000)	*(HK$'000)*
Trade receivables	1,209,152	646,027
Notes receivable	6,280	7,373
	1,215,432	653,400
Impairment of the trade receivables	(43,694)	(8,960)
	1,171,738	644,440

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

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

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

	2017	**2016**
	(HK$'000)	*(HK$'000)*
Within 3 months	1,020,758	597,198
3 to 6 months	138,752	31,460
6 months to 1 year	5,614	4,686
Over 1 year	334	3,723
	1,165,458	637,067

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

	2017	2016
	(HK$'000)	*(HK$'000)*
At beginning of year	8,960	5,947
Recognition of impairment for the year	34,286	8,076
Amounts written off	(478)	(4,606)
Translation adjustments	926	(457)
At end of year	43,694	8,960

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$43,694,000 (2016: HK$8,960,000) with a carrying amount before provision of HK$192,518,000 (2016: HK$12,847,000).

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

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

	2017	2016
	(HK$'000)	*(HK$'000)*
Neither past due nor impaired	906,697	518,451
Less than 1 month past due	145,481	92,685
1 to 2 months past due	48,483	9,574
2 to 3 months past due	44,134	7,395
Over 3 months and within 1 year past due	20,663	8,962
At end of year	1,165,458	637,067

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there were no history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

13. AVAILABLE-FOR-SALE INVESTMENTS

	2017	2016
	(HK$'000)	*(HK$'000)*
Unlisted investments, at fair value	138,088	—

The above investments consist of investments in wealth investment products which are designated as available-for-sale financial assets and have maturity within three months and coupon rates ranging from 2.2% to 3.5% per annum.

All wealth investment products are subsequently matured in January 2018 with principals and interest fully received.

14. DERIVATIVE FINANCIAL INSTRUMENTS

	2017	
	Assets *(HK$'000)*	*Liabilities* *(HK$'000)*
Forward currency contracts		
- designated as hedging instruments	18,816	4,408
- not designated as hedging instruments	3,434	—
	22,250	4,408

Forward currency contracts — cash flow hedges

Forward currency contracts are designated as hedging instruments in respect of forecasted routine intragroup sales in foreign currencies. The forward currency contract balances vary with the levels of expected foreign currency sales and changes in foreign exchange forward rates.

The terms of the forward currency contracts match the terms of the commitments. The cash flow hedges relating to intragroup sales in 2018 were assessed to be highly effective and net gains of HK$12,460,000 were included in the hedging reserve as follows:

	2017 *(HK$'000)*
Total fair value losses included in the hedging reserve	(4,806)
Deferred tax on fair value gains	91
Reclassified from other comprehensive income and recognised in the statement of profit or loss	20,165
Deferred tax on reclassifications to profit or loss	(2,990)
Net gains on cash flow hedges	12,460

15. TRADE AND BILLS PAYABLES

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

	2017	2016
	(HK$'000)	*(HK$'000)*
Within 3 months	1,162,294	798,734
3 to 12 months	144,549	110,322
1 to 2 years	5,428	13,300
2 to 3 years	108	1,740
Over 3 years	194	2,368
	1,312,573	926,464

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

16. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

		As at 31 December 2017		As at 31 December 2016	
		Maturity	*HK$'000*	*Maturity*	*HK$'000*
Current					
Bank overdraft — secured	Note(a)	2018	158,724	2017	189,782
Current portion of long-term bank loans — secured	Note(b)	2018	371,834	2017	48,862
Bank borrowings — secured	Note(b)	2018	562,687	2017	38,770
Promissory note	Note(c)	2018	625	2017	822
Bank borrowings — unsecured		2018	247,793		—
			1,341,663		278,236
Non-current					
Bank borrowings — secured	Note(b)	2019-2021	1,393,260	2018-2021	948,040
Promissory note	Note(c)	2021	1,876	2021	2,481
			1,395,136		950,521
Total			2,736,799		1,228,757

Note (a): The bank overdraft facilities amounted to HK$177,260,000, of which HK$158,724,000 had been utilised as at the end of the reporting period and was guaranteed by the Company. The bank overdraft facilities are revolving facilities with no termination date.

Note (b): Certain of the Group's bank loans are secured by:

(i) The pledge of shares of certain subsidiaries of the Group; and

(ii) a standby letter of credit from the Bank of China Suzhou branch issued by GCPC.

Note (c): The promissory note was issued by the US government authority.

Note (d): The effective interest rates of the bank loans and other borrowings range from 0.65% to 6% (2016: 1.25% to 6%).

	Group	
	2017	**2016**
	(HK$'000)	*(HK$'000)*
Analysed into:		
Bank loans repayable:		
Within one year	1,341,663	278,236
In the second year	310,243	225,832
In the third year to fifth years, inclusive	1,084,893	572,646
Beyond the fifth year	—	152,043
	2,736,799	1,228,757

17. SHARE OPTION SCHEME

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

The maximum number of share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at 25 May 2017. The maximum number of shares issuable under share options to each eligible participant under the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue as at the date on which the share options are granted to the relevant eligible participants. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

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

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

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

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

	Weighted average exercise price	**Number of options**
	HK$ per share	*'000*
At 1 January 2016	3.320	87,929
Granted during the year	3.870	5,000
Forfeited during the year	3.592	(11,438)
Exercised during the year	2.120	(6,531)
At 31 December 2016 and 1 January 2017	3.420	74,960
Granted during the year	3.880	4,500
Forfeited during the year	3.708	(13,488)
Exercised during the year	2.466	(15,022)
At 31 December 2017	3.665	50,950

The weighted average share price at the date of exercise for share options exercised during the year was HK$3.81 per share (2016: HK$4.42).

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

2017	Number of options	Exercise price	Exercise period
	'000	*HK$ per share*	
	20	2.12	3 January 2013 to 2 January 2018
	9,360	3.58	29 September 2017 to 28 September 2024
	10,060	3.58	29 September 2018 to 28 September 2024
	9,360	3.58	29 September 2019 to 28 September 2024
	5,883	3.75	7 October 2018 to 6 October 2025
	5,883	3.75	7 October 2019 to 6 October 2025
	5,884	3.75	7 October 2020 to 6 October 2025
	1,500	3.88	28 August 2020 to 27 August 2027
	1,500	3.88	28 August 2021 to 27 August 2027
	1,500	3.88	28 August 2022 to 27 August 2027
	50,950		

2016	Number of options	Exercise price	Exercise period
	'000	*HK$ per share*	
	218	2.12	3 January 2013 to 2 January 2018
	1,928	2.12	3 January 2015 to 2 January 2018
	6,993	2.12	3 January 2016 to 2 January 2018
	2,671	2.12	3 January 2017 to 2 January 2018
	11,627	3.58	29 September 2017 to 28 September 2024
	12,747	3.58	29 September 2018 to 28 September 2024
	11,626	3.58	29 September 2019 to 28 September 2024
	7,383	3.75	7 October 2018 to 6 October 2025
	7,383	3.75	7 October 2019 to 6 October 2025
	7,384	3.75	7 October 2020 to 6 October 2025
	1,667	3.87	30 August 2017 to 29 August 2023
	3,333	3.87	30 August 2018 to 29 August 2023
	74,960		

The Group recognised a share option expense of HK$8,910,000 (2016: HK$16,507,000) for the year ended 31 December 2017.

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

	Share options granted on 28 August 2017	**Share options granted on 30 August 2016**
Dividend yield (%)	1.87	1.79
Spot stock price (HK$ per share)	3.88	3.87
Historical volatility (%)	37.6	35.55
Risk-free interest rate (%)	1.58	0.82
Expected life of options (year)	10	7
Weighted average share price (HK$ per share)	3.78	3.87

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 15,022,166 share options exercised during the year resulted in the issue of 15,022,166 ordinary shares of the Company and new share capital of HK$150,222 and share premium of HK$50,790,000 (before issue expenses).

At the end of the reporting period, the Company had 50,950,000 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 50,950,000 additional ordinary shares of the Company and additional share capital of HK$509,500, and share premium of HK$186,212,800 (before issue expenses).

At the date of approval of these financial statements, the Company had 49,930,000 share options outstanding under the Scheme, which represented approximately 3.00% of the Company's shares in issue as at that date.

18. BUSINESS COMBINATION

On 23 October 2017 ("Completion Date"), the Group completed the acquisition of 100% shares (the "Acquisition") of Oasis Dragon Limited, an unlisted company. Oasis Dragon Limited and its subsidiaries (together, the "Oasis Dragon Group") principally engaged in the retail business of maternity, baby and children's products under Goodbaby Brands in Mainland China. The Acquisition was made as part of the Group's strategy to strengthen its retail channel in Mainland China, and also to eliminate continuing connected transactions between the Group and Oasis Dragon Group. The total consideration was approximately HK$3,412.5 million, which comprises cash consideration of HK$1,160.9 million (including price adjustment) and share consideration of HK$2,251.6 million (536,100,000 consideration shares measured at closing market price of HK$4.2 on the Completion Date). The Acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of Oasis Dragon Group for the period from the Completion Date to 31 December 2017.

The Group engaged an independent appraiser to assist with the identification and determination of fair values to be assigned to the acquirees' assets and liabilities. However, the appraisal was in the process of finalization, and hence the initial accounting for the business combination of the acquirees is incomplete by the date that the board of directors to approve 2017 annual financial statements. Therefore, the following amounts recognized in the Group's 2017 annual financial statements in relation to such business acquisition were on a provisional basis:

The fair values of the identifiable assets and liabilities of Oasis Dragon Group as at the date of acquisition were as follows:

	Fair value recognized on acquisition *(HKD'000)*
Property, plant and equipment	50,331
Other intangible assets	1,638,488
Deferred tax assets	3,691
Inventories	388,724
Trade and notes receivables	358,851
Prepayments and other receivables	44,878
Due from related parties	329,193
Cash and cash equivalents	47,948
Trade and bills payables	(204,688)
Other payables, advances from customers and accruals	(280,387)
Income tax payable	(33,184)
Due to related parties	(427,216)
Deferred tax liabilities	(397,260)
Total identifiable net assets	1,519,369
Non-controlling interests	(14,557)
Goodwill on acquisition	1,907,693
Satisfied by cash	1,160,886
Satisfied by share	2,251,619

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK$358,851,000 and HK$44,878,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK$358,851,000 and HK$44,878,000, respectively.

The Group incurred acquisition related costs of HK$44,833,000 for this acquisition. Other than the incremental costs directly attributable to issuance of new shares, all other transaction cost have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	2017 *HK$'000*
Total purchase consideration	1,160,886
Less: Cash and cash equivalents acquired	47,948
Net outflow of cash and cash equivalents included in cash flows from investing activities	1,112,938

In accordance with IFRS 3 (Revised) Business Combinations, the amounts recorded for the acquisition are provisional and are subject to adjustments during the measurement period of not exceeding one year from the acquisition date if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. Upon the finalization of appraisal on the fair value of the identifiable assets and liabilities at the acquisition date, the goodwill recognised at the acquisition date may be different from the amount presented above.

Since the acquisition, the acquired businesses contributed HK$565,844,000 to the Group's turnover and HK$35,696,000 profit to the consolidated profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the year ended 31 December 2017 would have been HK$8,626,457,000 and HK$387,946,000, respectively.

19. EVENTS AFTER THE REPORTING PERIOD

On March 15, 2018, Toys "R" Us ("TRU") officially announced its plan to conduct an orderly wind-down of its U.S. business. Based on this latest available information, the Group performed assessment and then stopped all shipment to TRU and recorded an additional provision into our 2017 accounts for potential bad receivables from TRU for our shipments to TRU U.S. in 2017.

At the date of approval of these financial statements, the Group also had receivables of HKD24,578,000 from the shipments to TRU U.S. in 2018. The collectability of these receivables has significant uncertainty and may affect our financial statements for the six months period ending 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS[1]

OVERVIEW

Continued execution of our Strategic Vision in 2017 produces record results.

- **Our relentless focus on strategic brands has paid off**

  We made significant upgrades to our gb brand image, particularly in the platinum range, establishing the brand as a leading international premium brand including car seat category which supported strong growth of the gb brand in our China and EMEA market. For Cybex brand, we launched more than 80 new products in 2017 which resulted in strong growth across all regions and all product categories. We also reinforced Cybex as the leading premium "technical-lifestyle" brand through numerous achievements such as winning the ADAC test winner designation, receiving a prestigious design award from Red Dot and being highly embraced by the international celebrity community. For Evenflo brand, we increased our organizational efficiencies under the leadership of Jon Chamberlain and initiated the repositioning of the brand and its product portfolio. In 2017, Evenflo brand business remained stable despite the challenging US economic environment. Concurrently, we initiated plans to further develop our tactical brands and retailers' private label business where we recorded certain declines due to the Group's focus on more strategic initiatives. As a result, on a proforma basis, we achieved a total record revenue of approximately HK$7,523.3 million from our own brand and private label business, representing a year-on-year growth of 15.8%. For our strategic brands, we recorded revenue of approximately HK$2,932.7 million from our gb brand business — of which (HK$1,582.5 million from durable products and HK$1,350.2 million from non-durable products), revenue of approximately HK$1,753.6 million from Cybex brand business and approximately HK$1,734.4 million from Evenflo brand business, representing 27.4%(24.2% and 31.3%), 39.5% and 3.2% year-on-year growth, respectively.

- **We have successfully transformed our Group into a global leading horizontally and vertically integrated MBC (Maternity, Baby and Children) Ecosystem**

  Through the successful acquisition and integration of the gb branded non-durable and retail business into the Group through the acquisition of Oasis Dragon Limited, together with the Group's great achievement in the

1. Unless stated otherwise, all financial numbers in this Management Discussion and Analysis section are from Group's consolidated accounts as reported according to IFRSs.

implementation of our brand driven one dragon vertically integrated strategy, we have further transformed the Group into a global leading horizontally and vertically integrated MBC Ecosystem. Our Group platform now consists of Maternity and Baby Care multi brands and omni channel, and a global leading multi-category juvenile products platform of durable products including strollers, car seats, home fixture, outdoor activity toys and non-durable products including feeding, apparel, baby care and home textile. This has been a transformational change for the Group to further strengthen control over the full value chain and to implement our strategic plan.

Upon combining the above with our Blue Chip business, on an as reported basis, our Group achieved record revenue of HK$7,142.6 million and record operating profit of HK$312.5 million, representing year-on-year growth of 14.5% and 46.3%, respectively. On a proforma and non-GAAP basis, the Group achieved record revenue of approximately HK$8,626.4 million and record operating profit of approximately HK$695.7 million in 2017, representing a year-on-year growth of 11.7% and 34.3% respectively.

EXECUTIVE SUMMARY

2017 was a significant year for us. We established a clear, global strategy for each brand by taking into account of regional market dynamics and continuously improved our organisation to ensure execution excellence. We successfully consolidated and integrated China retail and sales organisation. We continued our strategy to streamline and build up a global supply chain platform focusing on cost optimisation, innovation, quality and service excellence to further reinforce our global competitiveness.

Self-owned brands and private label business

With a very clear Group brand strategy, we have been focusing on regional execution excellence and working on expanding the Group's global footprints.

- **Region APAC**

  In our China market, we recorded strong full-year growth. On a proforma basis, our revenue from China market reached HK$3,165.0 million, representing an increase of 19.8%(21.5% in RMB) from HK$2,642.8 million in 2016 *(please refer to Financial Review section for the revenue from China market as reported according to IFRS*). The strong growth was mainly driven by our own retail omnichannel growth at 24.5%(26.3% in RMB) which accounted for more than 60% of our revenue from China Market. By category, we recorded 12.4%(14.2% in RMB) growth in durable products, 26.0%(27.8% in RMB) growth in baby care products and 41.4%(43.2% in RMB) growth in apparel and home textile products. By brand, we recorded 24.0%(25.7% in RMB) growth of our gb brand and 100.8%(102.6% in RMB) of Cybex brand, offset by a slight decline in the Happy Dino brand which was under restructured for a relaunch in 2018. With the successful acquisition of Oasis Dragon Limited, we integrated all brands and teams from China market into a new retail & sales organisation under one leadership team which started to drive the "one brand", "one team" and "one system" synergy. We have transformed gb brand from durable goods into a lifestyle brand with multiple product lines and extended Cybex brand from a wholesale model into a retail and wholesale model. We have completed significant renovations in approximately 26 gb branded stores as of date of this announcement from which significant sales uplifts are being realised. In addition, we have opened 2 new Happy Dino concept stores as of date of this announcement which have been repositioned with all category offerings including durable, non-durable and apparel products. A complete BOOM strategy is now implemented with full speed which will further enhance our competitive advantages in our business in China market and also the global market.

In 2017, business outside China declined by 8.3% to approximately HK$546.3 million from approximately HK$595.5 million in 2016. The decline was mainly resulted from the strategic closure of our Geoby brand business in 2016. To reinforce our footprint in APAC, in March 2018, we formed a non-wholly owned subsidiary with a local distributor in Japan to establish a comprehensive distribution network of our brands in the second largest market in Asia, and set up a new dedicated team as platform for all Group brands in South-East Asia.

- **Region EMEA**

  Led by the strong growth of Cybex and the gb Platinum and Gold ranges, revenue in EMEA grew by 38.2% to approximately HK$1903.5 million 2017, from approximately HK$1,377.1 million in 2016.

  On top of our own solid growth in our brand business in Germany, all other core European markets have also realised significant revenue growth. The strong growth in Cybex brand was attributable to the continued solid performance of our car seat portfolio, as well as the rapid development of our stroller collection through products like the Priam, Mios and Balios M. Another brand-building milestone was achieved in the first half of 2017 when Cybex recorded more than 1 million Facebook fans.

  The gb Platinum and Gold range's rapid expansion in 2016 continued in 2017, supported by strong performance of the Pockit and Qbit strollers, as well as a completely new car seat trilogy comprised of the Idan, Vaya I-Size and Elian-FIX. Newly launched gb Vaya i-Size child car seat was rated "test winner" in 2017/11 ADAC testing.

- **Region Americas**

  During 2017, we focused our investments on brand building, development of key product platforms and further alignment of our distribution channels. As a result, we grew our revenue by 1.4% in region Americas from approximately HK$1,882.1 million in 2016 to approximately HK$1,908.5 million in 2017. While 2017 was a challenging year for the overall North American retail market, we realised growth by aggressively aligning with consumer trends towards digital purchasing behaviors, launching key car seat and stroller product platforms focused on consumer-driven needs, and increasing flexibility of our supply chain structure, while absorbing the negative financial impact in relation to the bankruptcy of a leading baby retailer. These initiatives, together with the expected 2018 brand and key product relaunch, are expected to provide a solid foundation for the Group's sustainable growth.

Blue Chip

Our Blue Chip business recorded a stable second half performance. We achieved this by working in close cooperation with our Blue Chip customers through our outstanding manufacturing, research and development (R&D), cost optimization, and service capabilities. The values we brought to our customers have been recognized and appreciated which helped enhance our customers' trust and confidence in the Group and consequently, our recorded performance was better than expected. As a result, we recorded growth of approximately 1.6% in the second half of 2017 narrowing the year-on-year decline to 10.1% with revenue of approximately HK$1,103.1 million in 2017, from approximately HK$1,226.9 million in 2016.

Innovation and Technology

The Group incorporates seven leading R&D centers across the world. With a team of more than 500 specialists, we ensure the highest standards in engineering and aesthetics are built into our products, which offer comfort and excitement for parents and children. Our aim is to not only fulfill market demands, but to go even beyond. This is supported by a restructured organisation and development of regional competence centers which strengthen the regional capabilities allowing teams to work autonomously and improve time to market. As at 31 December 2017, the total number of the Group's historically obtained patents reached more than 9,200.

In 2017, the Group's strategic brands, CYBEX and gb, have achieved outstanding results in one of the most important European car seat tests. Seven car seats were rated "best in test" achieving the highest overall scores in their respective groups and were awarded "test winners" in the recent independent German Stiftung Warentest and ADAC testing. For strollers, the MIOS won the "Best of the Best" Red Dot Design Award, emphasising once again the excellence of our products and outstanding design. In 2017, we received two Red Dot Design Awards, and one Chinese Patent Award of Excellence 2017.

To strengthen a high standard in child safety, we participated in United Nations working groups and ISO working groups developing new regulations on restraint systems, and we led a task force on (studying) side impacts in relation to car seats. For future improvements in child safety, we are performing our own research which has been presented at three major international conferences. To reinforce our leadership position in child safety research, we cooperated with internationally-renowned independent research organisations supported by our own industry leading testing lab.

Production and Supply Chain

We continue to enhance the Goodbaby Excellence System (GBES) we created in 2016 through management and technology projects. We combine lean manufacturing principles and best practices developed primarily in the automotive industry.

To offset increases in raw material costs, we applied a set of tactical purchasing solutions to achieve a leaner and more efficient supply base. As our business continues to expand, we will pursue further supply chain integration, supplier consolidation, procurement and logistic optimisation to achieve world-class efficiency and competitiveness.

Organisation

We continue to expand our global management and leadership capabilities towards a lean organisation structure, always based on our company's core values. Introduced in 2017, the Triangular Management System, focused on centralised vision, strategy and standards with decentralised regional execution. It was well received and the resulting cooperation between Group functions, regions and business units has been simplified and improved to strive towards organisational and process excellence.

These business unit leaders have full executional and operational responsibilities for their areas and are now mentored by regional chairmen, who serve as ambassadors of our mission and cultural values.

OUTLOOK

Upon achievement of the historical results in 2017, we remain confident in our Strategic Vision of becoming the global leader of a Parenting/MBC Ecosystem. With a solid foundation already in place, we will realize our vision by continuing to execute our key strategies for strong growth of our brands; augmenting and reinforcing our Group structure and business model; expanding our supply chain global footprint; striving for manufacturing excellence and cost optimization; expanding our global wholesale distribution networks into key strategic markets and transforming from B2B to B2C with full focus on retail in China. The execution of these strategies will result in the achievement of our goal — sustained profitable growth.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2017, the total revenue of the Group increased by 14.5% from approximately HK$6,238.2 million for the year ended 31 December 2016 to approximately HK$7,142.6 million.

The table below sets out the Group's revenue by business format for the periods indicated.

	For the year ended 31 December				Growth analysis 2017 vs 2016
	2017		2016		
	Sales (HK$ million)	*% of sales*	*Sales (HK$ million)*	*% of sales*	*Growth*
Our own brand and retailer's private label	6,039.5	84.6	5,011.3	80.3	20.5%
EMEA	1,903.5	26.7	1,377.1	22.0	38.2%
Americas	1,908.5	26.7	1,882.1	30.2	1.4%
APAC	2,227.5	31.2	1,752.1	28.1	27.1%
Blue Chip business	1,103.1	15.4	1,226.9	19.7	-10.1%
Total	7,142.6	100.0	6,238.2	100.0	14.5%

The growth in the Group's own brand and retailer's private label businesses was mainly driven by the continued market penetration of our strategic brands, improvements in product portfolio and completion of the Acquisition. In region EMEA, we recorded strong growth with Cybex and the gb Platinum and Gold ranges which supported our remarkable revenue growth by 38.2%. Our business in region Americas remained stable despite of difficult US economic environment where several offline retailers met difficulties. We recorded revenue growth by 27.1% in APAC which was driven by revenue growth in China market and slightly offset by decrease of revenue in other APAC markets outside China. In China market revenue grew by 45.4% to approximately HK$1,681.2 million in the year of 2017, from approximately HK$1,156.6 million in 2016. The strong growth was attributable to our continuous improvements in upgrading gb brand image and product portfolio and the completion of the Acquisition.

The decrease of Blue Chip business was mainly due to the proactive restructuring in sales from a previously largest customer as the Group was transforming its business model from OPM to brand-driven business, but we managed to partially offset the decrease by our great efforts in the cooperation with our other Blue Chip customers with our excellent manufacturing and R&D capabilities. We recorded approximately a 1.6% growth in second half 2017 and reduced 2017 full year year-on-year decline to 10.1% with approximately HK$1,103.1 million revenue in 2017, from approximately HK$1,226.9 million in 2016.

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales increased by approximately 6.5% from HK$4,126.7 million for the year ended 31 December 2016 to HK$4,395.8 million for the year ended 31 December 2017. Gross profit for the Group increased from approximately HK$2,111.5 million for the year ended 31 December 2016 to approximately HK$2,746.8 million for the year ended 31 December 2017, and the gross profit margin increased by approximately 4.7% from approximately 33.8% for the year ended 31 December 2016 to approximately 38.5% for the year ended 31 December 2017. The improvement in gross profit margin was mainly attributable to increased revenue contribution from our key strategic brands, improvement in cost competitiveness and the consolidation of the gross profit from the Acquired Business.

Other Income and Gains

Other income and gains of the Group decreased by HK$18.0 million from approximately HK$59.1 million for the year ended 31 December 2016 to approximately HK$41.1 million for the year ended 31 December 2017, which was mainly attributable to the decrease in gains from foreign exchange but partially offset by the increase in government subsidies.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consist of marketing expenses, salaries and transportation costs. The selling and distribution expenses increased from approximately HK$982.5 million for the year ended 31 December 2016 to approximately HK$1,332.5 million for the year ended 31 December 2017, which was mainly attributable to the increased marketing expenses for brand-building and transportation costs for the Group's revenue growth and the consolidation of such expenses relating to the Acquired Business during the Consolidation Period.

Administrative Expenses

The Group's administrative expenses primarily consist of salaries, research and development costs, professional service expenses and other back office expenses. The administrative expenses increased from approximately HK$924.3 million for the year ended 31 December 2016 to approximately HK$1,103.5 million for the year ended 31 December 2017. The increase was mainly due to the increase in research and development costs to support new product and innovation, cost in relation to the Acquisition, provision for potential uncollectible receivable related to the liquidition of a leading customer and the administrative expenses relating to the Acquired Business during the Consolidation Period.

Other Expenses

Other expenses of the Group decreased to approximately HK$39.4 million for the year ended 31 December 2017 from approximately HK$50.2 million for the year ended 31 December 2016. In 2016, the Group recorded disposal losses of HK$42.0 million from the discontinuation of our non-strategic and unprofitable business. Excluding the disposal losses in 2016, other expenses of the Group increased by HK$31.2 million, which was mainly attributable to the losses from foreign exchange due to USD depreciation.

Operating Profit

As a result of the foregoing, the Group's operating profit increased by approximately 46.3%, or HK$98.9 million, from approximately HK$213.6 million for the year ended 31 December 2016 to approximately HK$312.5 million for the year ended 31 December 2017. The Group's non-GAAP operating profit increased by approximately 21.0%, or HK$71.9 million, from approximately HK$342.7 million for the year ended 31 December 2016 to approximately HK$414.6 million for the year ended 31 December 2017.

Finance Income

For the year ended 31 December 2017, the Group's finance income increased by approximately 39.4%, or HK$1.3 million, from approximately HK$3.3 million for the year ended 31 December 2016 to approximately HK$4.6 million. The Group's finance income mainly represents interest income from bank deposits.

Finance Costs

For the year ended 31 December 2017, the Group's finance costs increased by approximately 18.7%, or HK$10.3 million, from approximately HK$55.2 million for the year ended 31 December 2016 to approximately HK$65.5 million. The increase for the year ended 31 December 2017 was mainly attributable to the increase in LIBOR interest rate and a new term loan for the Acquisition.

Profit Before Tax

As a result of the foregoing, the profit before tax of the Group increased by 55.4% from approximately HK$161.8 million for the year ended 31 December 2016 to approximately HK$251.5 million for the year ended 31 December 2017. The Group's non-GAAP profit before tax increased by approximately 21.6% from approximately HK$290.9 million for the year ended 31 December 2016 to approximately HK$353.6 million for the year ended 31 December 2017.

Income Tax

The Group's income tax expense was approximately HK$67.1 million for the year ended 31 December 2017 whereas income tax credit was approximately HK$50.4 million for the year ended 31 December 2016. In 2016, the Group recognized deferred tax assets that previously were not recognized by our subsidiaries in the United States. In 2017, the Group recorded deferred tax expenses due to the reduction of income tax rate as a result of U.S. tax reform enacted in December 2017.

Profit for the Year

Profit of the Group for the year ended 31 December 2017 decreased by 13.1% from approximately HK$212.2 million for the year ended 31 December 2016 to approximately HK$184.4 million. Non-GAAP profit of the Group for the year ended 31 December 2017 increased by 32.7% from approximately HK$221.3 million for the year ended 31 December 2016 to approximately HK$293.7 million.

Non-GAAP Financial Measures

To supplement the consolidated results of the Group prepared in accordance with IFRS, certain non-GAAP financial measures, including non-GAAP operating profit, non-GAAP operating margin, non-GAAP profit before tax, non-GAAP profit for the year and non-GAAP net margin, have been presented in this announcement. The Company's management believes that the non-GAAP financial measures provide investors with more clear view on the Group's financial results, and with useful supplementary information to assess the performance of the Group's strategic operations by excluding certain impact of discontinuation of non-strategic operations, certain integration-related costs, certain non-cash items, certain impact of merger and acquisition transactions, certain one-off bad debt provision, recognition of deferred tax expenses due to the change of tax law and recognition of deferred tax assets previously not recognized. Nevertheless, the use of these non-GAAP financial measures has limitations as an analytical tools. These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, analysis of the Company's financial performance prepared in accordance with IFRS. In addition, these non-GAAP financial measures may be defined differently from similar terms used by other companies.

The following tables set forth the reconciliations of the Company's non-GAAP financial measures for the years ended 31 December 2017 and 2016 to the nearest measures prepared in accordance with IFRS:

	Year ended 31 December 2017							
		Adjustments						
	As reported	Equity-settled share option expenses	Net fair value losses on call and put options (a)	Amortization of intangible assets and inventory appreciation (b)	Transaction cost for the Acquisition	One-off bad debt provision (c)	U.S. tax reform effect on deferred tax assets and liabilities(d)	Non-GAAP
	(HK$ million)	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*
Operating profit	312.5	8.9	2.2	35.4	27.3	28.3	—	414.6
Profit before tax	251.5	8.9	2.2	35.4	27.3	28.3	—	353.6
Profit for the year	184.4	8.9	1.6	27.5	27.3	22.7	21.3	293.7
Operating margin	4.4%							5.8%
Net margin	2.6%							4.1%

	Year ended 31 December 2016							
		Adjustments						
	As reported	Equity-settled share option expenses	Net fair value losses on call and put options (a)	Amortization of intangible assets (b)	Net losses on discontinuation of non-strategic operations (e)	Integration-related costs (f)	Recognition of deferred tax assets previously not recognized (g)	Non-GAAP
	(HK$ million)	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*
Operating profit	213.6	16.5	0.8	14.6	59.1	38.1	—	342.7
Profit before tax	161.8	16.5	0.8	14.6	59.1	38.1	—	290.9
Profit for the year	212.2	16.5	0.5	11.6	51.3	33.2	(104.0)	221.3
Operating margin	3.4%							5.5%
Net margin	3.4%							3.5%

Notes:

(a) Net fair value losses on call options and put options granted to non-controlling shareholders of a subsidiary of the Group, arising from acquisition of this subsidiary.

(b) Amortization of intangible assets and inventory appreciation arising from acquisitions, net of related deferred tax.

(c) One-off bad debt provision associated with the Toys "R" Us bankruptcy filing in the U.S. and Canada.

(d) Recognition of deferred tax expense in U.S. arising from the reduction of income tax rate as a result of U.S. tax reform law change enacted in December 2017.

(e) Net losses on discontinuation of non-strategic and unprofitable operations.

(f) Costs related to integration of our business operations after the acquisitions.

(g) Recognition of deferred tax credit in U.S. arising from Evenflo reaching sustainable profitability.

Working Capital and Financial Resources

	As at 31 December 2017 *(HK$ million)*	**As at 31 December 2016** *(HK$ million)*
Trade and notes receivables (including trade receivables due from related parties)	1,171.7	928.8
Trade and bills payables	1,312.6	926.5
Inventories	1,861.3	1,099.8

	For the year ended 31 December 2017		**For the year ended 31 December 2016**
	Original Business (Days)	*Acquired Business (Days)*	*Original Business (Days)*
Trade and notes receivables turnover days[1]	54	35	57
Trade and bills payables turnover days[2]	89	85	83
Inventories turnover days[3]	113	74	104

Notes:

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

(2) Trade and bills 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 in the reporting period.

(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 in the reporting period.

To more clearly illustrate our working capital information, we separately presented the working capital turnover days of the Original Business and the Acquired Business.

The increase of trade and note receivables was mainly attributable to the revenue growth, and trade and notes receivables turnover days of the Original Business remained stable. The trade and notes receivables turnover days of the Acquired Business for the Consolidation Period were 35 days.

The increase of trade and note payables was mainly attributable to the increase of the Group's purchases, which were driven by our revenue growth and the Acquisition. The increase in the trade and notes payables turnover days of the Original Business was mainly due to the improvement in more favorable payment terms. The trade and notes payables turnover days of the Acquired Business for the Consolidation Period were 85 days.

The increase of inventories was mainly attributable to the increase in the planned inventories for the anticipated growth in our revenue in the next several months and the inventories acquired in the Acquisition. The increase in inventory turnover days of the Original Business was mainly due to the increase in our own brands business, of which the inventory turnover days are higher than the inventory turnover days of Blue Chip business, which decreased in 2017. The inventory turnover days of the Acquired Business for the Consolidation Period were 74 days.

Liquidity and Financial Resources

As at 31 December 2017, the Group's monetary assets, including cash and cash equivalents, time deposits, pledged time deposits and available-for-sale investments, were approximately HK$1,189.8 million (31 December 2016: approximately HK$783.5 million).

As at 31 December 2017, the Group's interest-bearing bank loans and other borrowings were approximately HK$2,736.8 million (31 December 2016: approximately HK$1,228.8 million), including short-term bank borrowings of approximately HK$1,341.7 million (31 December 2016: approximately HK$278.2 million) and long-term bank loans and other borrowings with repayment terms ranging from three to seven years of approximately HK$1,395.1 million (31 December 2016: HK$950.5 million).

As a result, as at 31 December 2017, the Group's net debt position was approximately HK$1,547.0 million (31 December 2016: approximately HK$445.3 million).

Contingent Liabilities

As at 31 December 2017, the Group had no material contingent liabilities (31 December 2016: nil).

Exchange Rate Fluctuations

The Group is a multinational enterprise with operations in different countries and the money that it used to conduct its business and transaction is denominated in various currencies, and the Group uses Hong Kong dollar ("HK$") as its reporting currency, which is pegged to U.S. dollar ("US$"). The Group's revenue is mainly denominated in US$, Renminbi ("RMB") and Euro. The Group's procurement and OPEX are mainly denominated in RMB, US$ and Euro. The net exposures to foreign currency risks of the Group's operating results are mainly the US$ and Euro revenue against RMB procurement and OPEX. The Group would benefit from the appreciation of US$ and Euro against RMB but would suffer losses if US$ or Euro depreciates against RMB. The Group uses forward contracts to eliminate the foreign currency exposures.

Pledge of Assets

As at 31 December 2017, except for the pledged time deposits amounting to HK$15.4 million, the Group did not pledge any other assets.

Gearing Ratio

As at 31 December 2017, the Group's gearing ratio (calculated by net debt divided by the sum of adjusted capital and net debt; the amount of net debt is calculated by the sum of trade and bills payables, other payables, advances from customers and accruals, payables due to related parties and interest-bearing bank loan and other borrowings (current and non-current) less cash and cash equivalents; the amount of adjusted capital is calculated by equity attributable to owner of the parent minus hedging reserve) was approximately 44.6% (31 December 2016: approximately 44.5%).

Employees and Remuneration Policy

As at 31 December 2017, the Group has a total of 15,516 full-time employees (as at 31 December 2016, the Group had a total of 11,181 full-time employees). For the year ended 31 December 2017, costs of employees, excluding Directors' emoluments, amounted to a total of HK$1,429.1 million (2016: HK$1,386.5 million). The increase in cost of employee is mainly attributable to the internal promotion of talented employees into senior or leadership roles, the recruitment of diverse talent into our global workforce and the Acquisition. The Group determined the remuneration packages of all employees with reference to individual performance and current market salary scale. The Group provides its employees with welfare schemes as required by applicable local laws and regulations.

On 5 November 2010, the Company had adopted a share option scheme ("**Share Option Scheme**") to incentivize or reward eligible participants for their contribution to the Group for the purpose of motivating the eligible participants to optimize their performance efficiency for the benefit of the Group, and attracting and retaining or otherwise maintaining on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.

As at 31 December 2016, 74,959,500 share options were outstanding. On 28 August 2017, 4,500,000 share options were granted under the Share Option Scheme. In 2017, 13,487,334 share options had lapsed and 15,022,166 share options had been exercised. As at 31 December 2017, the outstanding share options were 50,950,000.

Major and connected transaction

On 24 July 2017 (after trading hours), the Company and Goodbaby China Holdings Limited (好孩子中國控股有限公司) (the "**Vendor**") entered into an agreement, pursuant to which the Company acquired the entire issued capital of Oasis Dragon Limited (the "**Target**", together its subsidiaries "**Target Group**") from the Vendor at a consideration of US$360,000,000 (equivalent to approximately HK$2,812,176,000) payable partly in cash and partly by the issue of Consideration Shares (as defined below), subject to adjustment (the "**Acquisition**"). The Acquisition constituted a major and connected transaction of the Company and was subject to the approval of independent shareholders which was obtained on 21 September 2017. Completion took place on 23 October 2017 with the consideration satisfied as to US$120,485,816 (equivalent to approximately HK$941,187,000) in cash and as to the balance by the allotment and issue of 536,100,000 new Shares by the Company (the "**Consideration Shares**") at the issue price of HK$3.49 per Consideration Share credited as fully paid.

The consideration is subject to an upward or downward adjustment based on the completion statements of the Target Group as at the date of completion. According to the completion statements of the Target Group as at the date of Completion prepared by the independent auditor, Ernst & Young, the net amount payable by the Company to the Vendor was US$28,267,000 in equivalent and was fully paid by the end of 2017.

For further details, please also refer to the announcement of the Company dated 24 July 2017, 21 August 2017, 21 September 2017 and 23 October 2017; and the circular of the Company dated 4 September 2017.

OTHER INFORMATION

Annual General Meeting

The annual general meeting of the Company (the "**AGM**") will be held on 28 May 2018 (Monday). A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner required by Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in due course.

Dividend

At the meeting of the Board held on 26 March 2018, the Board has resolved to declare the payment of a final dividend of HK$0.05 per share for the year ended 31 December 2017 (2016: HK$0.05). Subject to the approval of shareholders of the Company at the AGM, the final dividend will be paid on 20 June 2018 to the shareholders whose names appear on the register of members of the Company on 7 June 2018. The record date for determining the entitlement to the proposed final dividend is Thursday, 7 June 2018.

Book Close Periods

For the purposes of ascertaining the members' eligibility to attend and vote at the AGM, the Company's register of members will be closed during the following period:

- Latest time to lodge transfers documents for registration — 4:30 p.m. on 18 May 2018 (Friday)
- Closure of register of members — 21 May 2018 (Monday) to 28 May 2018 (Monday)

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

For determining the entitlement of the proposed final dividend, the register of members of the Company will be closed from Tuesday, 5 June 2018 to Thursday, 7 June 2018, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all duly stamped instruments of transfers, accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 4 June 2018.

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 as set out in the Code on Corporate Governance Practices ("**CG Code**") as set out in Appendix 14 to the Listing Rules and has also put in place certain recommended best practices as set out in the CG Code.

The Board is of the opinion that the Company has complied with all the provisions set out in the CG Code throughout the year ended 31 December 2017.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended 31 December 2017.

Purchase, Sale and Re-purchase of Shares

There was no purchase, sale and re-purchase of any listed securities of the Company by the Company or any of its subsidiaries during the year ended 31 December 2017.

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 been asked specific enquires, all Directors have confirmed that they complied with the required standard of dealings set out in the Model Code for the year ended 31 December 2017.

Audit Committee

As 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 annual results for the year ended 31 December 2017 of the Company have been reviewed by the Audit Committee. The Audit Committee has also reviewed the accounting policies and practices adopted by the Company and discussed risk management and internal control with senior management members.

Appreciation

The chairman of the Group would like to take this opportunity to thank his fellow Directors for their invaluable advice and guidance, and to each and every one of the staff of the Group for their hard work and loyalty to the Group.

Publication of Financial Results and Annual Report

This annual 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 annual report of the Company for the year ended 31 December 2017 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, 26 March 2018

As at the date of this announcement, the executive Directors are Mr. SONG Zhenghuan, Mr. Martin POS, Mr YANG Ilcheul, Mr. XIA Xinyue, Mr. LIU Tongyou and Mr. Michael Nan QU; the non-executive Directors are Ms. FU Jingqiu and Mr. HO Kwok Yin, Eric; and the independent non-executive Directors are Mr. Iain Ferguson BRUCE, Mr. SHI Xiaoguang, Ms. CHIANG Yun and Mr. JIN Peng.