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Goodbaby
International

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)

**(1) MAJOR AND CONNECTED TRANSACTION
(2) ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE
AND
(3) APPLICATION FOR WHITEWASH WAIVER
TARGET GROUP FINANCIAL INFORMATION**

Reference is made to the announcement (the “**Announcement**”) of Goodbaby International Holdings Limited (the “**Company**”) dated 24 July 2017 in relation to the Acquisition and the Whitewash Waiver. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

The Company is required by Listing Rule 14.67(6) to include in its circular to Shareholders an accountants’ report on the Target Group for a period ending 6 months or less before the date of the circular and comprising three financial years and a stub period if applicable.

Audited financial statements on the Target Group have been prepared by the independent auditors for the three years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 (“**Historical Financial Information**”). The below consolidated statement of profit or loss and other comprehensive income and consolidate statements of financial position are extracted from such audited financial statement.

The Historical Financial Information is presented in RMB and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

	Year ended 31 December			Six months ended	
				30 June	
	2014	2015	2016	2016	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
REVENUE	1,678,738	1,854,631	1,937,395	920,669	1,205,911
Cost of sales	<u>(966,981)</u>	<u>(1,064,686)</u>	<u>(1,121,391)</u>	<u>(527,565)</u>	<u>(687,590)</u>
Gross profit	711,757	789,945	816,004	393,104	518,321
Other income and gains	10,624	9,599	7,432	2,125	3,247
Selling and distribution expenses	(540,821)	(579,167)	(593,030)	(293,888)	(343,622)
Administrative expenses	(52,305)	(69,040)	(75,917)	(45,536)	(31,851)
Other expenses	(5,229)	(3,883)	(4,585)	(1,604)	(1,408)
Finance costs	<u>(14,931)</u>	<u>(11,614)</u>	<u>(13,646)</u>	<u>(9,213)</u>	<u>—</u>
PROFIT BEFORE TAX	109,095	135,840	136,258	44,988	144,687
Income tax expense	<u>(28,410)</u>	<u>(34,246)</u>	<u>(35,459)</u>	<u>(12,096)</u>	<u>(37,177)</u>
PROFIT FOR THE YEAR/ PERIOD	<u>80,685</u>	<u>101,594</u>	<u>100,799</u>	<u>32,892</u>	<u>107,510</u>
Attributable to:					
Owners of the parent	80,390	100,419	100,624	32,719	106,663
Non-controlling interests	<u>295</u>	<u>1,175</u>	<u>175</u>	<u>173</u>	<u>847</u>
	<u>80,685</u>	<u>101,594</u>	<u>100,799</u>	<u>32,892</u>	<u>107,510</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic and diluted	N/A	N/A	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December			As at
	2014	2015	2016	30 June
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
NON-CURRENT ASSETS				
Property, plant and equipment	44,564	39,464	44,978	39,049
Goodwill	1	1	1	1
Other intangible assets	942	747	454	1,068
Deferred tax assets	<u>6,726</u>	<u>4,554</u>	<u>14,117</u>	<u>16,509</u>
Total non-current assets	<u>52,233</u>	<u>44,766</u>	<u>59,550</u>	<u>56,627</u>
CURRENT ASSETS				
Inventories	261,934	265,562	285,218	305,350
Trade and notes receivables	130,481	156,856	201,846	270,721
Prepayments, deposits and other receivables	51,389	55,942	44,151	44,097
Amounts due from related parties	314,070	400,511	17,102	209,093
Cash and cash equivalents	<u>20,707</u>	<u>62,104</u>	<u>19,375</u>	<u>56,533</u>
Total current assets	<u>778,581</u>	<u>940,975</u>	<u>567,692</u>	<u>885,794</u>
CURRENT LIABILITIES				
Trade payables	86,575	92,345	109,088	108,720
Other payables and accruals	96,517	89,985	160,101	211,144
Amounts due to related parties	307,101	262,609	254,999	414,529
Interest-bearing bank borrowings	115,000	110,000	—	—
Tax payable	<u>623</u>	<u>363</u>	<u>28,867</u>	<u>39,405</u>
Total current liabilities	<u>605,816</u>	<u>555,302</u>	<u>553,055</u>	<u>773,798</u>
NET CURRENT ASSETS	<u>172,765</u>	<u>385,673</u>	<u>14,637</u>	<u>111,996</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				
	<u>224,998</u>	<u>430,439</u>	<u>74,187</u>	<u>168,623</u>
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	49,000	150,000	—	—
Deferred tax liabilities	<u>1,423</u>	<u>1,430</u>	<u>1,462</u>	<u>—</u>
Total non-current liabilities	<u>50,423</u>	<u>151,430</u>	<u>1,462</u>	<u>—</u>
Net assets	<u>174,575</u>	<u>279,009</u>	<u>72,725</u>	<u>168,623</u>
EQUITY				
Equity attributable to owners of the parent				
Share capital	—	—	—	—
Reserves	<u>163,979</u>	<u>264,398</u>	<u>57,938</u>	<u>152,990</u>
Non-controlling interests	<u>10,596</u>	<u>14,611</u>	<u>14,787</u>	<u>15,633</u>
Total equity	<u>174,575</u>	<u>279,009</u>	<u>72,725</u>	<u>168,623</u>

Operating Segment Information

The operating segment information set out below are based on audited data for three years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017.

The following table sets forth the breakdown of revenue, gross profit and EBIT of the Target Group by product and their respective contribution to the total revenue, total gross profit and total EBIT for the year/period indicated, respectively.

	For the year ended 31 December,						For the six months ended 30 June,			
	2014		2015		2016		2016		2017	
	RMB (‘000)	%	RMB (‘000)	%	RMB (‘000)	%	RMB (‘000)	%	RMB (‘000)	%
Durable juvenile products	970,474	57.8	1,086,607	58.6	1,057,786	54.6	508,729	55.3	630,802	52.3
Maternity and baby-care products	412,136	24.6	486,613	26.2	578,670	29.9	272,423	29.6	376,446	31.2
Apparel products	296,128	17.6	281,411	15.2	300,939	15.5	139,516	15.1	198,663	16.5
Total Revenue	1,678,738	100.0	1,854,631	100.0	1,937,395	100.0	920,669	100.0	1,205,911	100.0
Durable juvenile products	314,109	44.1	351,628	44.5	343,708	42.1	168,445	42.9	208,458	40.2
Maternity and baby-care products	208,034	29.2	250,482	31.7	292,001	35.8	138,569	35.2	191,473	36.9
Apparel products	189,614	26.7	187,835	23.8	180,295	22.1	86,090	21.9	118,390	22.9
Total Gross Profit	711,757	100.0	789,945	100.0	816,004	100.0	393,104	100.0	518,321	100.0
Durable juvenile products	26,885	16.1	24,486	13.4	25,957	13.8	10,167	12.3	26,237	16.4
Maternity and baby-care products	103,183	61.7	126,840	69.6	150,052	79.9	67,263	81.4	106,170	66.4
Apparel products	37,117	22.2	30,941	17.0	11,912	6.3	5,241	6.3	27,556	17.2
Aggregate segment EBIT⁽¹⁾	167,185	100.0	182,267	100.0	187,921	100.0	82,671	100.0	159,963	100.0
Overhead ⁽²⁾	(43,159)	N/A	(34,813)	N/A	(38,017)	N/A	(28,471)	N/A	(15,276)	N/A
Total EBIT	124,026	N/A	147,454	N/A	149,904	N/A	54,200	N/A	144,687	N/A

Note:

- (1) Earnings before income tax, finance costs, other income and gains, other expenses and corporate and other unallocated expenses.
- (2) Include other income and gains, other expenses and corporate and other unallocated expenses.

Profit Before Tax Information

Below table is the profit before Tax breakdown of the Target Group and is extracted from audited financial statement.

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Cost of inventories sold	968,496	1,066,875	1,125,107	528,995	688,619
Depreciation of items of property, plant and equipment	22,830	23,699	24,596	12,433	12,047
Amortization of other intangible assets	234	280	293	146	157
Minimum lease payments under operating leases	27,249	38,410	39,444	21,954	20,492
IPO related expense	—	10,368	14,715	14,715	—
Employee benefit expense (including director's remuneration)					
Wages and salaries	221,352	225,237	233,933	118,835	132,823
Pension scheme contributions	<u>15,693</u>	<u>15,998</u>	<u>16,028</u>	<u>8,918</u>	<u>8,395</u>
	<u>237,045</u>	<u>241,235</u>	<u>249,961</u>	<u>127,753</u>	<u>141,218</u>
(Reversal of)/ provision for impairment of receivables	482	(560)	—	—	—
(Reversal of)/ provision for impairment of inventories	13,214	(563)	1,280	(1,032)	423
Gain on disposal of items of property, plant and equipment	(63)	24	—	—	—
Bank interest income	<u>102</u>	<u>34</u>	<u>45</u>	<u>14</u>	<u>49</u>

As at the date of this announcement, none of the conditions precedent for the Acquisition have been satisfied.

Shareholders and potential investors should note that the Acquisition, which is subject to a number of conditions precedent, may or may not be completed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

By Order of the Board
Goodbaby International Holdings Limited
SONG Zhenghuan
Chairman

Hong Kong, 21 August 2017

As at the date of this announcement, the executive Directors are Mr. SONG Zhenghuan, Mr. Martin POS, Mr. LIU Tongyou, 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, Ms. CHIANG Yun and Mr. JIN Peng.

All the Directors jointly and severally accept full responsibility for the accuracy of information contained in this announcement (except for the information relating to the Vendor or the Target Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement (other than opinions expressed by the Vendor) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

All the directors of the Vendor jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than relating to the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.