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 2015

Financial Highlights

- Revenue for the year ended 31 December 2015 was approximately HK$6,951.1 million, increased by approximately 13.7% as compared with approximately HK$6,115.6 million for the corresponding period in year 2014;

- Gross profit for the year ended 31 December 2015 was approximately HK$2,050.2 million, increased by approximately 34.2% as compared with approximately HK$1,527.5 million for the corresponding period in year 2014, which translated to a gross profit margin of approximately 29.5% for the year ended 31 December 2015 as compared with approximately 25.0% for the corresponding period in the year 2014; and

- Profit for the year ended 31 December 2015 was approximately HK$202.7 million, increased by approximately 251.3% as compared with approximately HK$57.7 million for the corresponding period in year 2014, which translated to a profit margin of approximately 2.9% for the year ended 31 December 2015 as compared with approximately 0.9% for the corresponding period in the year 2014.

	For the year ended 31 December 2015 (HK$ million)	% of sales	For the year ended 31 December 2014 (HK$ million)	% of sales	Growth rate
Revenue	6,951.1	100.0	6,115.6	100.0	13.7%
Gross profit	2,050.2	29.5	1,527.5	25.0	34.2%
Operating profit(1)	317.6	4.6	144.8	2.4	119.3%
Profit for the year	202.7	2.9	57.7	0.9	251.3%

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 audited consolidated results of the Group for the year ended 31 December 2015, together with the comparative figures for the year ended 31 December 2014, which have been prepared in accordance with the International Financial Reporting Standards ("**IFRSs**") as below.

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

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Notes	**2015** *(HK$'000)*	**2014** *(HK$'000)*
Revenue	4	6,951,131	6,115,592
Cost of sales		(4,900,919)	(4,588,057)
Gross profit		2,050,212	1,527,535
Other income and gains	4	94,881	97,147
Selling and distribution expenses		(1,030,382)	(777,464)
Administrative expenses		(794,064)	(699,180)
Other expenses		(3,062)	(3,234)
Finance costs	6	(60,466)	(48,110)
Finance income	5	7,246	8,606
Share of losses of a joint venture		(30)	(31)
Share of losses of an associate		(8)	—
PROFIT BEFORE TAX	7	264,327	105,269
Income tax expense	8	(61,655)	(47,545)
PROFIT FOR THE YEAR		202,672	57,724
Attributable to:			
Owners of the parent		197,434	57,475
Non-controlling interests		5,238	249
		202,672	57,724
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:	10		
Basic			
- For profit for the year (HK$)		0.18	0.05
Diluted			
- For profit for the year (HK$)		0.18	0.05

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 *(HK$'000)*	*2014* *(HK$'000)*
PROFIT FOR THE YEAR	202,672	57,724
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(132,522)	(48,742)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	(132,522)	(48,742)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Actuarial gains/(losses) of defined benefit plans	3,457	(6,511)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	3,457	(6,511)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	(129,065)	(55,253)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	73,607	2,471
Attributable to:		
Owners of the parent	69,340	2,326
Non-controlling interests	4,267	145
	73,607	2,471

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	**31 December 2015 (HK$'000)**	**31 December 2014 (HK$'000)** *(Restated)*
NON-CURRENT ASSETS			
Property, plant and equipment		878,769	920,953
Prepaid land lease payments		59,608	65,449
Goodwill		819,619	837,717
Other intangible assets		682,256	711,909
Investment in a joint venture		844	927
Investment in an associate		—	—
Deferred tax assets		43,092	20,249
Other long-term assets		3,637	—
Total non-current assets		2,487,825	2,557,204
CURRENT ASSETS			
Inventories	11	1,244,756	1,535,271
Trade and notes receivables	12	695,599	973,309
Prepayments and other receivables		143,629	192,751
Due from a related party		303,758	379,152
Available-for-sale investments	13	310,347	206,389
Cash and cash equivalents		705,291	434,661
Time deposits		2,726	50,723
Pledged time deposits		27,199	165,807
Derivative financial instruments		421	26,797
Total current assets		3,433,726	3,964,860

	Notes	31 December 2015 (HK$'000)	31 December 2014 (HK$'000) *(Restated)*
CURRENT LIABILITIES			
Trade and bills payables	14	941,205	1,131,336
Other payables, advances from customers and accruals		463,929	433,370
Interest-bearing bank borrowings and other borrowings	15	691,700	1,496,078
Income tax payable		68,205	25,180
Provision		37,353	21,088
Defined benefit plan liabilities		465	310
Dividends payable		8	8
Total current liabilities		2,202,865	3,107,370
NET CURRENT ASSETS		1,230,861	857,490
TOTAL ASSETS LESS CURRENT LIABILITIES		3,718,686	3,414,694
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings and other borrowings	15	1,005,918	762,118
Provision		78,732	83,192
Defined benefit plan liabilities		14,216	12,870
Other liabilities		10,577	9,041
Deferred tax liabilities		201,141	219,813
Total non-current liabilities		1,310,584	1,087,034
Net assets		2,408,102	2,327,660

	31 December 2015 (HK$'000)	31 December 2014 (HK$'000) *(Restated)*
EQUITY		
Equity attributable to owners of the parent		
Share capital	11,086	11,010
Reserves	2,354,172	2,285,894
	2,365,258	2,296,904
Non-controlling interests	42,844	30,756
Total equity	2,408,102	2,327,660

NOTES TO FINANCIAL STATEMENTS

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.

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"), accounting principles generally accepted in Hong Kong and 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 2015. 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 in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

Annual Improvements to IFRSs 2010-2012 Cycle

Annual Improvements to IFRSs 2011-2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to IAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have the contributions from employees or third parties to defined benefit plans.

(b) The *Annual Improvements to IFRSs 2010-2012 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows:

- IFRS 8 *Operating Segments:* Clarifies that an entity must disclose the judgments made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets:* Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- IAS 24 *Related Party Disclosures:* Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

(c) The Annual Improvements to IFRSs 2011-2013 Cycle issued in December 2013 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows:

- IFRS 3 *Business Combinations:* Clarifies that joint arrangements but not joint ventures are outside the scope of IFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- IFRS 13 *Fair Value Measurement:* Clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 or IAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which IFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in IFRS 13.

- IAS 40 *Investment Property:* Clarifies that IFRS 3, instead of the description of ancillary services in IAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as there was no acquisition of investment properties during the year and so this amendment is not applicable.

In addition, the Group has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[6]
Amendments to IFRS 10, IFRS 12 and IAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferral Accounts*[3]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of IFRSs*[1]
IFRS 16	*Leases*[4]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[5]
Amendments to IAS 7	*Disclosure Initiative*[5]

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

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

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

4 Effective for annual periods beginning on or after 1 January 2019

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

6 No mandatory effective date determined but available for adoption

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

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. During 2015, the Group performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of IFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of IFRS 9.

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

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

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In July 2015, the IASB issued an amendment to IFRS 15 regarding a one-year deferral of the mandatory effective date of IFRS 15 to 1 January 2018. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in IAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset.

As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets

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, manufacturing and selling of strollers and accessories under the Group's own brands and third parties' brands;

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

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

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

Year ended 31 December 2015

	Strollers and accessories (HK$'000)	Car-seats and accessories (HK$'000)	Other durable juvenile products (HK$'000)	Consolidated (HK$'000)
Segment revenue				
Sales to external customers	2,041,009	2,831,584	2,078,538	6,951,131
Segment results	567,780	1,052,235	430,197	2,050,212
Reconciliation:				
Other income				94,881
Corporate and other unallocated expenses				(1,824,446)
Other expenses				(3,062)
Finance costs				(60,466)
Finance income				7,246
Share of losses of a joint venture				(30)
Share of losses of an associate				(8)
Profit before tax				264,327
Other segment information:				
Impairment losses recognised in the statement of profit or loss	10,744	6,319	10,385	27,448
Depreciation and amortisation	84,268	56,527	54,645	195,440

Year ended 31 December 2014

	Strollers and accessories *(HK$'000)*	Car-seats and accessories *(HK$'000)*	Other durable juvenile products *(HK$'000)*	Consolidated *(HK$'000)*
Segment revenue:				
Sales to external customers	2,366,549	1,747,555	2,001,488	6,115,592
Segment results	604,450	572,170	350,915	1,527,535
Reconciliation:				
Other income				97,147
Corporate and other unallocated expenses				(1,476,644)
Other expenses				(3,234)
Finance costs				(48,110)
Finance income				8,606
Share of losses of a joint venture				(31)
Profit before tax				105,269
Other segment information:				
Impairment losses recognised in the statement of profit or loss	23,419	—	4,247	27,666
Impairment losses reversed in the statement of profit or loss	—	2,102	—	2,102
Depreciation and amortisation	76,124	37,019	43,735	156,878

Geographical information

(a) **Revenue from external customers**

	European market *(HK$'000)*	North America market *(HK$'000)*	Mainland China market *(HK$'000)*	Other overseas markets *(HK$'000)*	Total *(HK$'000)*
Year ended 31 December 2015					
Segment revenue:					
Sales to external customers	2,146,621	2,804,809	1,347,719	651,982	6,951,131
Year ended 31 December 2014					
Segment revenue:					
Sales to external customers	2,012,109	1,989,479	1,466,237	647,767	6,115,592

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

(b) **Non-current assets**

	2015 *(HK$'000)*	**2014** *(HK$'000)* *Restate*
Mainland China	720,042	796,746
North America	1,010,355	1,011,719
Europe	710,699	728,490
	2,441,096	2,536,955

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

Details of revenue from sales to a major customer of 3rd party accounting for 10% or more of the total net sales of the Group are as follows:

	2015 *(HK$'000)*	**2014** *(HK$'000)*
Revenue	—	1,149,120

The above sales from customer was derived from sales by the strollers and accessories and other durable juvenile products segments, including sales to a group of entities which are known to be under common control with that customer.

4. REVENUE, OTHER INCOME AND GAINS

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

	2015	2014
	(HK$'000)	*(HK$'000)*
Revenue:		
Sales of goods	6,951,131	6,115,592
Other income and gains:		
Government grants (note (a))	35,629	48,884
Gain on sale of materials	1,092	1,944
Gain on wealth investment products (note (b))	3,242	5,586
Compensation income (note (c))	2,430	5,683
Service fee income (note (d))	545	1,687
Foreign exchange differences, net	39,442	650
Net fair value gains on derivative instruments not qualifying as hedges	426	29,077
Others	4,760	3,636
Net fair value gains on call and put option of acquisition of Nicam	7,315	—
Total	94,881	97,147

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

	2015	2014
	(HK$'000)	*(HK$'000)*
Interest income on bank deposits	7,246	8,606

6. FINANCE COSTS

	2015	2014
	(HK$'000)	*(HK$'000)*
Interest on bank loans	60,466	48,110

7. PROFIT BEFORE TAX

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

	2015	2014
	(HK$'000)	*(HK$'000)*
Cost of inventories sold	4,900,919	4,803,516
Cost of services provided	805	1,391
Depreciation of items of property, plant and equipment	173,842	139,722
Amortisation of intangible assets	19,370	14,923
Amortisation of land lease payments	2,228	2,233
Research and development costs ("R&D")	312,479	240,146
Lease payments under operating leases in respect of properties	83,200	81,288
Auditors' remuneration	8,384	8,106
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	1,119,454	1,169,881
Pension scheme contributions	35,780	38,268
Pension scheme costs (defined benefit plans)(including administrative expense)	2,078	575
Share option expense	12,714	10,528
	1,170,026	1,219,252

	2015	2014
	(HK$'000)	*(HK$'000)*
Transaction costs for acquisitions of subsidiaries	998	64,428
Net foreign exchange gain	(39,442)	(650)
Impairment of trade receivables	—	6,510
Write-down of inventories	28,092	19,054
Product warranties and liabilities	33,031	18,161
Reversal of impairement of receivables	(644)	—
Net fair value gains on derivative instruments not qualifying as hedges	(426)	(29,077)
Loss on disposal of items of property, plant and equipment	2,465	318
Bank interest income	(7,246)	(8,606)

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 are ranging from 34% to 35% on a progressive basis.

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

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

The Group's subsidiaries registered in Denmark are subject to income tax based on the taxable income at the rate of 24.5%.

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

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

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

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

	2015	2014
	(HK$'000)	*(HK$'000)*
PRC current income tax	19,002	13,683
United States state and federal income taxes	6,566	3,147
Japan income tax	39	24
Netherlands income tax	39	96
Hong Kong profits tax	3,009	12,778
German income tax	63,481	19,219
Denmark income tax	2,294	—
Deferred income tax	(32,775)	(1,402)
Income tax expense reported in the statement of profit or loss	61,655	47,545

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

	2015	2014
	(HK$'000)	*(HK$'000)*
Profit before tax	264,327	105,269
Expected income tax based on different rates applicable to profits in the countries covered	67,443	27,136
Tax losses not recognised	—	15,026
Temporary difference for which deferred tax assets have not been recognised	40,547	13,036
Tax credit arising from additional deduction of R&D expenditures of PRC subsidiaries	(15,869)	(15,632)
Underprovision(overprovision) in prior years	279	(532)
Tax effect on non-taxable income	—	(1)
Tax loss utilised from prior years	(38,492)	—
Tax effect on non-deductible expenses	7,747	8,512
Income tax expense	61,655	47,545

9. DIVIDENDS

	2015 (HK$'000)	2014 (HK$'000)
Final dividend proposed subsequent to the reporting period — HK$0.05 (2014: Nil)	55,430	—
	55,430	—

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 1,104,079,000 in issue during the year (2014: 1,093,783,000).

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:

	2015 (HK$'000)	2014 (HK$'000)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	197,434	57,475

	2015 ('000)	2014 ('000)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,104,079	1,093,783
Effect of dilution - weighted average number of ordinary shares:		
Share options	4,936	7,294
Total	1,109,015	1,101,077

11. INVENTORIES

	2015	**2014**
	(HK$'000)	*(HK$'000)*
Raw materials	355,458	496,053
Work in progress	108,014	162,843
Finished goods	781,284	876,375
	1,244,756	1,535,271

12. TRADE AND NOTES RECEIVABLES

	2015	**2014**
	(HK$'000)	*(HK$'000)*
Trade receivables	699,039	974,383
Notes receivable	2,507	6,792
	701,546	981,175
Impairment of the trade receivables	(5,947)	(7,866)
	695,599	973,309

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is up to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to 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 aged analysis of the trade receivables of the Group, based on the invoice date net of provision, is as follows:

	2015	**2014**
	(HK$'000)	*(HK$'000)*
Within 3 months	647,127	921,335
3 to 6 months	24,243	31,257
6 months to 1 year	21,204	13,719
Over 1 year	518	206
	693,092	966,517

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

	2015	2014
	(HK$'000)	*(HK$'000)*
At beginning of year	7,866	475
Addition from acquisition	—	1,246
Recognition of impairment for the year	—	6,510
Reversal of impairment	(644)	—
Amounts written off	(749)	(365)
Translation adjustments	(526)	—
At end of year	5,947	7,866

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$5,947,000 (2014: HK$7,866,000) with a carrying amount before provision of HK$5,947,000 (2014: HK$7,923,000).

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

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

	2015	2014
	(HK$'000)	*(HK$'000)*
Neither past due nor impaired	560,959	859,123
Less than 1 month past due	90,848	72,621
1 to 2 months past due	10,440	19,546
2 to 3 months past due	17,139	12,791
Over 3 months and within 1 year past due	13,706	2,436
At end of year	693,092	966,517

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

	2015	2014
	(HK$'000)	*(HK$'000)*
Unlisted investments, at fair value	310,347	206,389

The above investments consist of investments in wealth investment products which were designated as available-for-sale financial assets and have maturity within three months and coupon rates ranging from 1.49% to 4.00% per annum.

All wealth investment products are subsequently matured in January 2016 with principals and interest fully received.

14. TRADE AND BILLS PAYABLES

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

	2015	2014
	(HK$'000)	*(HK$'000)*
Within 3 months	806,951	973,967
3 to 12 months	128,378	151,608
1 to 2 years	3,466	1,283
2 to 3 years	897	2,643
Over 3 years	1,513	1,835
	941,205	1,131,336

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

15. INTEREST-BEARING BANK BORROWINGS AND OTHER BORROWINGS

		2015			2014		
		Effective interest rate (%)	*Maturity*	*HK$'000*	*Effective interest rate (%)*	*Maturity*	*HK$'000*
Current							
Bank borrowings - secured by intra-group trade receivables	Note (a)	1.01-1.68	2016	499,925	1.93-2.72	2015	528,208
Bank borrowings - secured by intra-group time deposits	Note (b)	1.58	2016	9,146	2.20	2015/1/27	364,794
Bank borrowings - secured by a letter of guarantee	Note (c)	1.54	2016/2/29	38,754			—
Bank borrowings - secured by an intra-group standby letter of credit and intra-group time deposits	Note (d)	1.62	2016/4/8	112,386	1.33	2015/1/9	193,910
Bank borrowings - guaranteed	Note (e)			—	1.53-2.07	2015	193,910
Bank borrowings - unsecured		2.50	2016/12/1	895	1.58-1.79	2015	155,127
Bank borrowings - secured by an intra-group standby letter of credit	Note (f)			—	2.25	2015/5/26	58,173
Current portion of long-term bank loans - secured by inventories and trade receivables	Note (g)			—	2.50	2015	1,011
Current portion of long-term bank loans -guaranteed by GIHL pledged by intra-group shares	Note (h)	1.75 + 6 EURIBOR	2016/1/19	29,959			—
Current portion of long-term bank loans - unsecured		2.25	2016/9/1	635	2.25	2015	945
				691,700			1,496,078
Non-current							
Bank borrowings - guaranteed by GIHL pledged by intra-group shares	Note (h)	1.75 + 6 EURIBOR	2018/1/19	242,908		—	
Bank borrowings - secured by inventories and trade receivables	Note (g)			—	2.50	2016/12/31	964
Bank borrowings - unsecured				—	2.25	2016/9/1	709
Promissory note	Note (i)	6.00	2021/6/1	3,113			—
Bank borrowings - guaranteed by GIHL and secured by an intra-group standby letter of credit	Note (j)	2.5 + 6 LIBOR	2021/7/22	759,897	2.5 + 6 LIBOR	2021/7/22	760,445
				1,005,918			762,118
Total				1,697,618			2,258,196

Note (a): Short-term bank borrowings were obtained from third party financial institutions. As at 31 December 2015, a subsidiary of the Group pledged its trade receivables of approximately HK$555,472,000 (31 December 2014: HK$577,035,000) to secure certain of the Group's bank loans and these trade receivables were eliminated on group level.

Note (b): Short-term bank borrowings were secured by the pledge of time deposits of approximately HK$2,984,000.

Note (c): Short-term bank borrowings were secured by a letter of guarantee issued by GCPC, and secured by the pledge of time deposit of GCPC amounting to HK$344,000.

Note (d): Short-term bank borrowings were secured by a standby letter of credit issued by GCPC and secured by the pledge of time deposits of GCPC amounting to HK$23,871,000.

Note (e): Short-term bank borrowings were guaranteed by GIHL, which was paid off during the year.

Note (f): Short-term bank borrowings were secured by a standby letter of credit issued by GCPC, which was paid off during the year.

Note (g): Long-term bank borrowings were secured by inventories for a net carrying value of approximately HK$84,602,000, which was paid off during the year.

Note (h): Short-term bank borrowing and long-term bank borrowing were guaranteed by GIHL and pledged by shares in Columbs Holding Gmbh and Cybex Gmbh.

Note (i): Long-term other borrowing was obtained from government.

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

16. SHARE OPTION SCHEME

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

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

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

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

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

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

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 2014	2.120	22,555
Granted during the year	3.580	53,420
Forfeited during the year	2.120	(16)
Exercised during the year	2.120	(102)
At 31 December 2014 and 1 January 2015	3.148	75,857
Granted during the year	3.750	25,850
Forfeited during the year	3.488	(10,691)
Exercised during the year	2.120	(3,087)
At 31 December 2015		87,929

The weighted average share price at the date of exercise for share options exercised during the year was HK$3.26 per share (2014: HK$4.11).

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

2015	Number of options	Exercise price	Exercise period
	'000	*HK$ per share*	
	384	2.120	3 January 2014 to 2 January 2018
	4,020	2.120	3 January 2015 to 2 January 2018
	7,060	2.120	3 January 2016 to 2 January 2018
	7,214	2.120	3 January 2017 to 2 January 2018
	11,160	3.580	29 September 2017 to 28 September 2024
	19,080	3.580	29 September 2018 to 28 September 2024
	13,160	3.580	29 September 2019 to 28 September 2024
	8,617	3.750	7 October 2018 to 6 October 2028
	8,617	3.750	7 October 2019 to 6 October 2028
	8,617	3.750	7 October 2020 to 6 October 2028
	87,929		

2014	Number of options	Exercise price	Exercise period
	'000	*HK$ per share*	
	437	2.120	3 January 2013 to 2 January 2018
	7,260	2.120	3 January 2015 to 2 January 2018
	7,260	2.120	3 January 2016 to 2 January 2018
	7,480	2.120	3 January 2017 to 2 January 2018
	13,160	3.580	29 September 2017 to 28 September 2024
	27,100	3.580	29 September 2018 to 28 September 2024
	13,160	3.580	29 September 2019 to 28 September 2024
	75,857		

The Group recognised a share option expense of HK$12,714,000 (2014: HK$10,528,000) for the year ended 31 December 2015.

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

	Share options granted on 3 January 2012	Share options granted on 29 September 2014	Share options granted on 7 October 2015
Dividend yield (%)	2.00	1.61	1.28
Spot stock price (HK$ per share)	2.12	3.40	3.75
Historical volatility (%)	52.00	38.40	37.78
Risk-free interest rate (%)	1.11	2.05	1.60
Expected life of options (year)	6.00	10	10
Weighted average share price (HK$ per share)	2.12	3.58	3.68

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 3,087,000 share options exercised during the year resulted in the issue of 3,087,000 ordinary shares of the Company and new share capital of HK$30,870 and share premium of HK$9,193,090 (before issue expenses).

At the end of the reporting period, the Company had 87,928,500 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 87,928,500 additional ordinary shares of the Company and additional share capital of HK$879,285, and share premium of HK$291,028,635 (before issue expenses).

At the date of approval of these financial statements, the Company had 87,928,500 share options outstanding under the Scheme, which represented approximately 7.93% of the Company's shares in issue as at that date.

MANAGEMENT DISCUSSION AND ANALYSIS

Delivering Sustainable Growth

In 2015, we completed the transformation of the Group into brand-driven, one-dragon, vertically integrated business model, successfully operating across all key brands and all key regions. In 2015, we have reorganised our business, putting the changing needs of our customers and consumers first as we believe we understand the global juvenile market better than anyone else.

We implemented strategies and put the capabilities in place to transform the Group into a faster growing, more profitable business with a solid and stable foundation. Whilst investing for growth in our own strategic brands: Cybex, gb and Evenflo, we also partnered with a consolidated number of Blue-Chip Customers[(2)] to better leverage our resources and to provide improved service levels.

In 2015, our revenue amounted to approximately HK$6,951.1 million representing an year-on-year increase of approximately 13.7% year on year. Revenue from our own brands grew by 45.1% to approximately HK$5,071.1 million. Revenue from our own brands now represents approximately 73.0% of all sales compared to approximately 40.7% in 2013. 2015, like 2014, has been a transitional year as our business mix changed from external orders from Blue-Chip Customers to internal orders from our strategic brands. As a result, even though orders from Blue-Chip Customers decreased by 29.9% during the year, internal orders from our strategic brands ramped up fast, offsetting the order decrease from Blue-Chip Business.

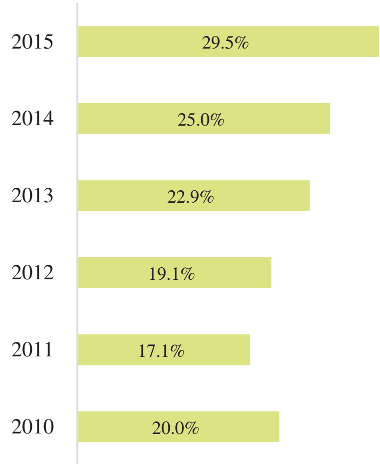
Our gross margin improved to approximately 29.5% as we refocused and implemented our transformation to a brand-driven business. Our operating profit improved to approximately HK$317.6 million, representing a growth of approximately 119.3% over 2014. We have improved our operating profit despite investing in the transformation of our business.

(2) Blue-Chip Customer refers to the Group's customer to whom the sales are made under third parties' brands excluding Private Label.

Revenue Since IPO

- **The compound annual growth rate of Revenue from 2010 to 2015 was 13.3%**

GM % Since IPO

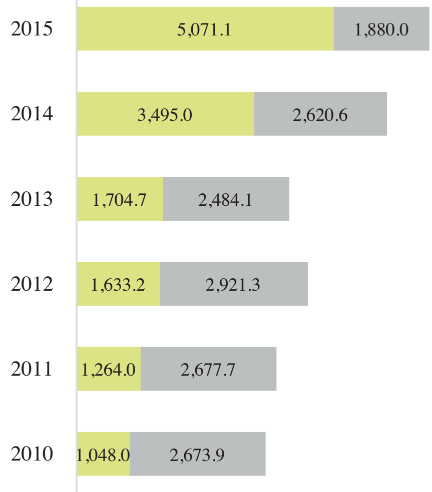


- **Gross margin improved steadily despite the impact from the increase in raw materials price, the appreciation of Renminbi and the rising labor costs before 2015 and weak Euro in 2015.**

Operating Profit Since IPO

- **The operating profit increased proving that our investment in the new business model last year has taken effect**

Own Brand/Blue Chip and Private Label(3) Share since IPO



- **The successful transformation from OPM(4)-driven business model to the brand driven, one-dragon, vertically integrated business model.**

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

(4) OPM refers to Original Product Manufacture, i.e, the Group's business with Blue-Chip Customers.

A company of Leading Brands

We put the consumer at the centre of everything we do. We are investing in our capabilities to understand consumers' needs better than ever before. That's why we are investing in brands that consumers prefer. Our brands have been growing rapidly and have significant growth opportunity in our core markets including China, North America, and Europe, covering all price ranges. Our brands also encourage fans to connect with them through global and local social media platforms. In 2015, we have seen record numbers of fans interacting with us through mobile devices.

Cybex brand

In 2015, revenues from Cybex branded products amounted to approximately HK$1,213.2 million (equivalent to approximately EUR 141.5 million), representing a growth of approximately 56.9% in HK dollar (87.7% in EUR) compared with 2014 on proforma base.

Cybex, the premium, technical, and lifestyle brand is now distributed in over 100 countries, and is now established in each of the company's core markets.

Utilizing the Group's national distribution organisation, sales of car seats increased by approximately, 46.1% in HK dollar (74.6% in EUR) year-on-year, supported by technical innovation that resulted in Cybex car seats winning more independent product awards than ever before.

The product portfolio was strengthened in 2015 by the launch of the Priam stroller, establishing Cybex as a premium stroller of choice with celebrities and opinion leaders. Now available in over 900 locations, supported by a unique instore display, including market leading premium retailers like Mothercare in Europe, Buy Buy Baby in the USA and Isetan in Japan, the Priam has led the growth of stroller sales.

In late 2015, Cybex launched the second stroller design collaboration with Jeremy Scott, one of the world's leading fashion designers, at the famous Corso Como boutique in Milan, to international acclaim.

Online Cybex sales grew by over 175% with one major retailer, whilst Cybex became one of the most liked brands on social media.

Evenflo Brand

In 2015, revenues from Evenflo branded products amounted to approximately HK$1,796.5 million (equivalent to approximately USD231.8 million), representing a growth of approximately 16.3% in HK dollar (16.5% in USD dollar) compared with that of 2014 on proforma base.

In January 2015, a new management team led by Chief Executive Officer of our American business, Greg Mansker was appointed. Under his experienced leadership, Evenflo returned to profitability ahead of schedule.

Utilizing the power of the Group's research and innovation facilities' Evenflo launched innovative new products, including the award winning Sensor Safe technology in car seats. This product alone saw over 500,000 views of the video over social media.

Evenflo has strategically partnered with all retailers to improve instore visibility for the brand, driving the brand and consumer purchases. As a result of these improvements in performance and product innovation, at the 2016 Walmart supplier summit Evenflo won "innovation award winning" vendor of the year, ahead of many internationally renowned companies.

Meanwhile, "Fast Company", one of the most influential business magazine in America, also named Evenflo as one of "The World's Most Innovative Companies", and listed Evenflo as a top ten of innovative car and surrounding product companies.

The successful launch of the Evolve booster seat in over 2,000 stores in the USA proved again that the Evenflo Brand remains a favourite with fans in North America.

gb brand

In 2015, revenues from gb branded products amounted to approximately HK$972.8 million, representing a growth of approximately 7.1%.

In China, gb grew revenue from approximately HK$740.0 million for the year ended 2014 to approximately HK$771.8 million for the year ended 2015, representing an increase of approximately 4.3%. In line with the gb brand growth plans, we have implemented a strategy to upgrade the presentation of the product range in store. The gb brand is fully supported with a consumer facing point of sale and in-store activation programme, which increased consumer engagement.

In North America, sales from gb grew by approximately 411.8% as a result of new product launches that met the market demands and an expanding retail network. The Evoq stroller has proven to be very popular with American consumers, scoring top marks in consumer reviews and tests.

Despite gb being a famous brand in China, it has been largely unknown around the world. That changed in September 2015 when gb was launched globally to industry wide acclaim at the Kind and Jugend Nursery Fair in Koln and at the ABC kid's expo in Las Vegas.

In gb Platinum, the Maris won selections with all major retailers around the world and will be launched in early 2016. In gb Gold, the world's smallest stroller, as confirmed by Guinness world records, the POCKIT stroller was listed with retailers, and airlines globally and a video of the stroller folding was watched over 12 million times within a 3-week time period.

Globally Aware-locally focused

In North America, we continued to improve our business as a result of the strong relationships we have built with our customers. Following the acquisition of Evenflo in 2014, we have become a more important supplier to our customers and we now supply all major retailers online and offline with a wide portfolio of products from our Group's Brands. Fuelled by a strong recovery of Evenflo sales, and fast growth of gb branded products sales in the region, our North American business grew. The Rollplay brand of E-cars enjoyed revenue growth with all major retailers, driven by successful licence collaborations with GMC and VW amongst others. Urbini, the brand that we supply exclusively to Walmart, met expectations, and we will continue to supply private-label products to many other retailers in the region. In line with our brand growth plans, a complete range of Cybex car seats and strollers was made available in the region through Buy Buy Baby and selected specialist retailers. We opened a single national distribution organisation to supply all major retailers in the North America and consolidated all group logistics and warehousing at the Evenflo's site in Ohio, utilising group synergies. Overall, our business in North America (i.e. our business under our direct distribution) improved by approximately 123.6% to approximately HK$2,174.8 million, whilst improved by approximately 22.0% on proforma base.

Building on the strength of the Cybex brand organisation in Europe, we have enhanced our operational structure in all aspects, to allow us in 2016 to launch the gb brand and grow our Private Label business along with rapid growth of sales of Cybex branded products. We improved our access to markets by acquiring our distributor in Scandinavia and opening a new direct distribution offices in Spain. The Group now has the largest directly control distribution and sales and marketing network in the juvenile industry in Europe. We continue to improve and build on our relationships with our valued customers, focusing on improving product supply service levels, and trade marketing support. We have developed strategic partnerships with key retailers in each country which has enabled the Group to secure additional product listings across the portfolio of Group Brands. European logistics are managed from our central distribution facilities on behalf of all group Brands in southern Germany, allowing us to serve all retail customers in Europe within 3 to 5 days. During the year, our business in Europe (i.e. our business under our direct distribution) improved by approximately 49.3% (equivalent to approximaely 78.5% in EURO) to approximately HK$1,320.5 million, whilst improved by approximately 41.8% (equivalent to approximately 69.5% in EURO) on proforma base.

In China, in 2015 a weakening economy and the continued moving away from traditional offline retailers to new online channels resulted in a challenging year for the Group. In 2015, we have conducted a comprehensive review of the China market, and as a result we have restructured the brand portfolio in China, for the first time including Cybex branded products. We have developed and have begun to execute a strategic plan clearly defining each brands position in the market and the distribution channels that each brand will be supplied to. Given our deep understanding of the market, we have worked with our distributor partners to further improve and develop our online and offline channels. We have also worked with our distributor partners to further improve the coverage offline of our tripartite agreements with maternity stores. As at 31 December 2015, the number of maternity stores under tripartite agreement arrangement increased to 3,148 from 1,789 at the beginning of the year. As a result, even though our total revenue from China was approximately HK$1,347.7 million, representing a decrease of approximately 8.1% from approximately HK$1,466.2 million in 2014, our revenue from Cybex branded products increased by approximately 111.5% to approximately HK$22.0 million and revenue from gb branded products increased by approixmately 4.3% to approximately HK$771.8 million.

Consolidating our Blue Chip Customers

In 2015, we rationalized our Blue-Chip Customers to better utilize our R&D and manufacturing resources. We partnered with a focused group of Blue Chip Customers, which are strategically synergistic with us and geographically complementary to each other. During 2015, our revenue from Blue Chip Customers declined in line with expectations to approximately HK$1,736.3 million compared to approximately HK$2,477.9 million in 2014, driven by declines in revenue from our largest Blue Chip Customer as expected. Other Blue Chip Customers were generally stable.

As the global supply chain for juvenile products continues to consolidate, the Group remains a strategic partner for many of the world's leading juvenile brands. Under the strong leadership of our executive Director Michael Nan Qu, we will continue to deliver best in class product, and industry leading quality and service.

More Innovation

The power of our brands is at the core of our growth plans. Product innovation creates products that transforms categories and builds brands that consumers prefer.

In 2015, we registered over 620 patents worldwide and won more than 100 product design and safety awards from leading independent authorities, reinforcing the Group as the industry's leading innovator. Our research and development teams strategically positioned in 8 locations around the world, and its own internationally certified Test Laboratory in China means that we can respond quickly to consumer trends and demands, bringing product to each core market quickly and efficiently and to the highest quality standards.

Better Execution through Synergies

We now operate under a one-dragon, vertically integrated business model. We have organised our structure for growth into five functions; technical services, supply chain, brands, national and international sales, and general services which includes finance human resources and IT, across three regions, Americas, EMEA and APAC.

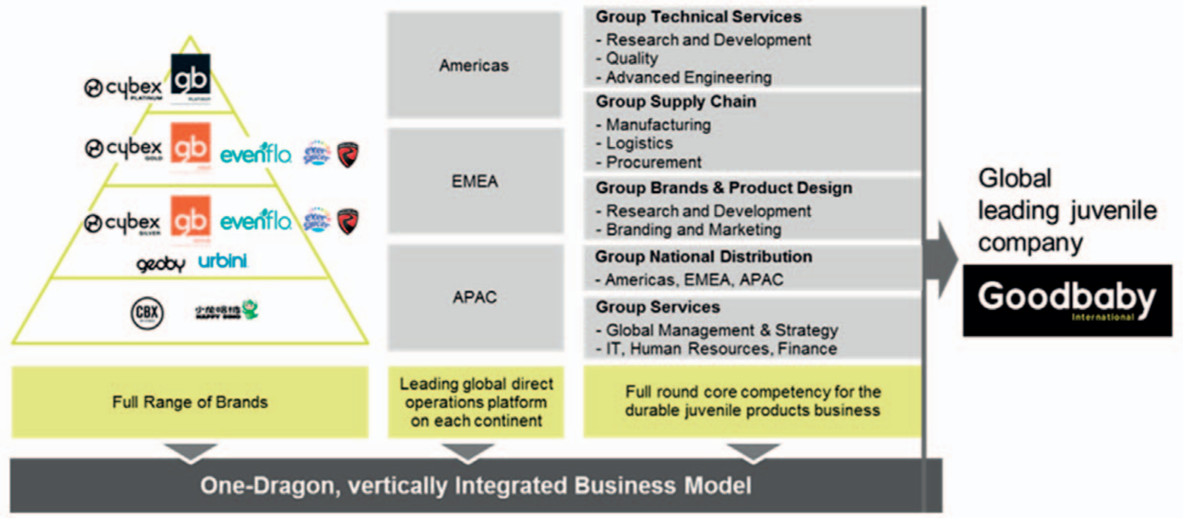
We have established a group procurement function to drive efficiencies across the Group in our vendor management, and deliver global sourcing opportunities.

We have rationalised our research and development, and supply chain offices improving focus and efficiency.

We have established three national distribution organisations in North America, Europe and China. These national distribution organisations manage all Group's brand sales to leading retailers in the region, bringing efficiency to customer relations. In each region, warehousing and logistics are now managed centrally by the Group's supply chain through a single warehouse facility, bringing efficiency and cost effective operation for all brands.

We have recruited a highly skilled SVP Group Production with in-depth production management experience from the automotive industry to further improve our plants in China and America driving efficiency in manufacturing techniques.

In the USA, our plant efficiency improved ahead of expectations, year-on-year manufacturing a record number of car seats. In China, the introduction of a new project management system has improved service levels to our brands and customers, and over time will improve our time to market giving the company a real advantage in a competitive market place.



Strong Leadership

On 15 January 2016, Mr. Martin Pos succeeded Mr. Song as the Chief Executive Officer of the Group. Mr. Song Zhenghuan remains as chairman of the board of Directors with responsibility for the strategic direction of the Group.

Mr. Pos is an entrepreneur and an accomplished leader with 25 years of proven results in the juvenile industry in many markets around the world. His breath of experience and track record of success are strong. He is hands-on with a deep knowledge of consumers and product categories. He is focused and strategic with strong operational leadership to take action and execute with excellence.

In Europe, we have appointed Mr. Tim Maule as the Chief Executive Officer of Goodbaby Europe, succeeding Martin Pos. Mr. Maule will also continue in his roles as Chief Commercial Officer for the Group, and SVP Supply Chain. Succeeding Martin Pos as the Chief Executive Officer Cybex is Mr. Johannes Schlamminger. Mr. Schlamminger has worked for Cybex for over the last 5 years leading business development.

We have continued to strengthen our leadership team through the appointments of Mr. Thierry Aubry as our SVP Group Production, Mr. Raoul Bader as our SVP group technologies, Mr. Frankie Tse as our Chief Executive Officer of the China Market, and Mr. Philip Raum as our SVP Group Marketing.

After the establishment of our Group human resource team, led by Ms. Simone Berger our SVP HR, in 2015, we have been working to attract the very best talents to the Group, whilst establishing an internal talent development strategy for growth. We have embraced being a true intercultural organisation and see the benefits of teams from around the world sharing experience and knowledge.

More Opportunities Ahead

We have now completed the ambitions laid out at the time of our IPO, a brand-driven, one-dragon, vertically integrated business. In 2015, we have restructured our group for growth, our teams in R&D, production, our strategic brand leaders and distribution networks are ready. Over the next year we will continue to make each one of our strategic brands increasing available in each of our core market places, utilizing the Group distribution and logistics services. We will encourage more consumers than ever before to connect with our brands through online and social media channels driving the fan eco-system, building loyalty and trust. Within our global supply chain, we expect further synergies and efficiencies as colleagues from around the world work more closely together. In China, our brands will benefit from the changes that allow parents to have more than one child, the changing legislation in car safety and the further implementation of our strategy. In North American, all our 4 strategic brands are available for the first time in one of our core regions and in Europe the improvements and additions to our national and international distribution organisation will continue to improve service levels to our customers. Under the new leadership of Mr. Martin Pos, we expect to improve our revenue growth and profit performance in 2016.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2015, total revenue of the Group increased by 13.7% from approximately HK$6,115.6 million for the year ended 2014 to approximately HK$6,951.1 million for the year ended 2015, of which the revenue from the Group's own brands contribute approximately 73.0% of the Group's total revenue demonstrating successful transformation of its business model from OPM-driven business to brand driven business.

Revenue by business format

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

	For the year ended 31 December				Growth analysis
	2015		2014		2015 vs 2014
	Sales (HK$ million)	*Total % of sales*	*Sales (HK$ million)*	*Total % of sales*	*Growth*
Our own brand	5,071.1	73.0	3,495.0	57.2	45.1%
Retailer's private label	143.7	2.0	142.7	2.3	0.7%
Blue Chip Business[5]	1,736.3	25.0	2,477.9	40.5	-29.9%
Total:	6,951.1	100.0	6,115.6	100.0	13.7%

The increase of the Group's own brand business was primarily attributable to acquisition of Evenflo on 22 July 2014 and rapid growth of Cybex brand, which was partially offset by decrease of Happy Dino brand. The decrease of Blue Chip Business was mainly due to the expected decrease from the largest Blue Chip Customer and its consolidation of Blue Chip Customers to better leverage the Group's R&D and manufacture resources.

(5) Blue Chip Business refers to the Group's business under which sales are made to brand customers and brands are owned by third parties.

Revenue by Geographical Region

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

	For the year ended 31 December				Growth analysis
	2015		**2014**		**2015 vs 2014**
	Sales (HK$ million)	*Total % of sales*	*Sales (HK$ million)*	*Total % of sales*	*Growth*
Europe	2,146.6	30.9	2,012.1	32.9	6.7%
North America	2,804.8	40.3	1,989.5	32.5	41.0%
China	1,347.7	19.4	1,466.2	24.0	-8.1%
Other regions	652.0	9.4	647.8	10.6	0.6%
Total:	6,951.1	100.0	6,115.6	100.0	13.7%

The increase in Europe was mainly attributable to rapid revenue growth by approximately 57.0% of the Group's own brand business, which was partially offset by decrease in order by approximately 26.7% from Blue Chip Business.

The increase of North America was mainly attributable to rapid revenue growth by approximately 127.9% of the Group's own brand business, primarily due to the acquisition of Evenflo on 22 July 2014, which was partially offset by decrease in order by approximately 38.1% from Blue Chip Business.

The decrease of sales for the China market was mainly due to decrease in sales of Happy Dino brand, which was partially offset by increase of gb brand and Cybex brand.

Revenue by Products

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

	For the year ended 31 December				Growth analysis
	2015		2014		2015 vs 2014
	Sales (HK$ million)	*% of sales*	*Sales (HK$ million)*	*% of sales*	*Growth*
Strollers and accessories	2,041.0	29.4	2,366.5	38.7	-13.8%
Car-seats and accessories	2,831.6	40.7	1,747.6	28.6	61.9%
Other durable juvenile products	2,078.5	29.9	2,001.5	32.7	3.8%
Total:	6,951.1	100.0	6,115.6	100.0	13.7%

The decrease in strollers and accessories was mainly due to decrease in order by approximately 28.9% from Blue Chip Business, which was partially offset by growth of approximately 4.0% from the Group's own brand business.

The increase in car seats and accessories was mainly attributable to the rapid business growth by approximately 94.4% from the Group's own brand business, which was partially offset by decrease in order by approximately 26.3% from Blue Chip Business.

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales increased by approximately 6.8% from HK$4,588.1 million for the year ended 2014 to HK$4,900.9 million for the year ended 2015. The increase was mainly due to increase in sales volume, which was partially offset by decrease of material cost.

As a result of the foregoing, gross profit for the Group increased from approximately HK$1,527.5 million for the year ended 31 December 2014 to approximately HK$2,050.2 million for the year ended 2015, and the gross profit margin rise from approximately 25.0% for the year ended 2014 to approximately 29.5% for the year ended 2015.

Other Income and gains

Other income and gains of the Group decreased by HK$2.2 million from approximately HK$97.1 million for the year ended 2014 to approximately HK$94.9 million for the year ended 2015. Other income was mainly consist of government subsidies and foreign exchange gains.

Selling and Distribution Costs

The Group's selling and distribution costs primarily consist of marketing expenses, salaries and transportation costs. The selling and distribution costs increased from approximately HK$777.5 million for the year ended 2014 to approximately HK$1,030.4 million for the year ended 2015, which was mainly attributable due to the increase in marketing expenses, employee costs and transportation costs driven by high growth of the Group's own brand business in Europe and North America.

Administrative Expenses

The administrative expenses of the Group primarily consist of salaries, research and development costs and office expenses. The administrative expenses increased from approximately HK$699.2 million for the year ended 2014 to approximately HK$794.1 million for the year ended 2015. The increase was mainly due to increase in employee costs and office costs and increase in research and development costs driven by high growth of the Group's own brand business in Europe and North America.

Other Expenses

Other expenses of the Group decreased to approximately HK$3.1 million for the year ended 31 December 2015 from approximately HK$3.2 million for the year ended 31 December 2014.

Operating Profit

As a result of the foregoing, the Group's operating profit increased by approximately 119.3%, or HK$172.8 million, from HK$144.8 million for the year ended 31 December 2014 to approximately HK$317.6 million for the year ended 31 December 2015.

For the year ended 31 December 2015, the Group's operating margin increased from approximately 2.4% to 4.6%, which was primarily attributable to gross margin improvement.

Finance Income

For the year ended 31 December 2015, the Group's finance income decreased by approximately 16.3%, or HK$1.4 million, from approximately HK$8.6 million for the year ended 31 December 2014 to approximately HK$7.2 million. The Group's finance income mainly represents interest income from bank deposits.

Finance Costs

For the year ended 31 December 2015, the Group's finance costs increased by 25.8%, or HK$12.4 million, from approximately HK$48.1 million for the year ended 31 December 2014 to approximately HK$60.5 million. The increase for the year ended 31 December 2015 was mainly attributable to the increase in bank loans in second half of 2014 related to acquisition of Evenflo, which was partially offset by finance costs saved resulting from deceased and improved interest costs related to working capital loans.

Profit Before Tax

As a result of the foregoing, the profit before tax of the Group increased by 151.0% from approximately HK$105.3 million for the year ended 31 December 2014 to approximately HK$264.3 million for the year ended 31 December 2015.

Income Tax Expenses

The Group's income tax expenses were approximately HK$61.7 for the year ended 31 December 2015, whereas income tax were approximately HK$47.5 million for the year ended 31 December 2014. The increase in the amount of income tax was mainly attributable to the higher income tax in Europe due to fast growth of the Group's brand business in Europe where bears higher income tax rate.

Profit for the Year

Profit of the Group for the year ended 31 December 2015 increased by 251.3% from approximately HK$57.7 million for the year ended 31 December 2014 to approximately HK$202.7 million for the year ended 31 December 2015.

Working Capital and Financial Resources

	As at 31 December 2015 (HK$ million)	As at 31 December 2014 (HK$ million)
Trade and notes receivables (including trade receivables due from related parties)	1,005.3	1,360.3
Trade and notes payables	941.2	1,131.3
Inventories	1,244.8	1,535.3
Trade and notes receivables turnover days(1)	62	70
Trade and notes payables turnover days(2)	77	73
Inventories turnover days(3)	104	93

Notes:

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

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

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

The decrease of trade and note receivables and decrease of trade and notes receivables turnover days were mainly attributable to the increase of the portion of the Group's own brand business in sales mixture which collects cash more rapidly and better management over cash collection.

The decrease of trade and note payables was mainly attributable to the decrease of the strategic procurement amount and outsourcing amount during the end of year 2015. The increase of trade and notes payables turnover days was mainly due to the improvement in payment term.

The decrease of inventories was mainly due to the better control of inventory level. The increase of inventories turnover days was mainly attributable to enlarged average balance of the inventories for 2015 due to two acquisitions in 2014.

Liquidity and Financial Resources

As at 31 December 2015, the Group's monetary assets, including cash and cash equivalents, time deposits, pledged time deposits and available-for-sale investments, were approximately HK$1,045.6 million (as at 31 December 2014: approximately HK$857.6 million).

As at 31 December 2015, the Group's interest-bearing bank borrowings and other borrowings were approximately HK$1,697.6 million (as at 31 December 2014: approximately HK$2,258.2 million), including short-term bank borrowings of approximately HK$691.7 million (as at 31 December 2014: approximately HK$1,496.1 million) and long-term bank borrowings and long-term other borrowings with repayment terms ranging from three to seven years of approximately HK$1,005.9 million (as at 31 December 2014: HK$762.1 million).

As a result, as at 31 December 2015, the Group's net debt position was approximately HK$652.0 million (as at 31 December 2014: approximately HK$ 1,400.6 million).

Contingent Liabilities

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

Exchange Rate Fluctuations

The Group's sales is mainly denominated in U.S. dollars, Renminbi and Euro. The Group's procurement is mainly denominated in Renminbi and U.S. dollars, and the operating expenses of the Group are primarily paid in U.S. dollars, Renminbi and Euro. For the year ended 31 December 2015, approximately 62.9% of the Group's revenue was denominated in U.S. dollars, approximately 20.8% was denominated in Renminbi and approximately 11.9% was denominated in Euro. Approximately 66.2% of the cost of sales of the Group was denominated in Renminbi and approximately 30.6% was denominated in U.S. dollars. Approximately 44.7% of the Group's operating expenses was denominated in Renminbi; approximately 23.5% was denominated in Euro and approximately 8.2% was denominated in U.S. dollars. The Group's gross profit margin will be adversely affected if the U.S. dollar depreciates against Renminbi and the Group is unable to increase the U.S. dollar selling prices of the products or unable to reduce the procurement prices, or if Euro depreciates against the U.S. dollar and the Group is unable to increase the Euro selling prices of the products or unable to reduce the procurement prices. The Renminbi depreciated by approximately 5.8% against the US Dollar, and Euro depreciated by approximately 10.3% against U.S. dollar during the year ended 31 December 2015.

As at 31 December 2015, the Group's balance of forward foreign exchange contracts was approximately US$30.0 million, with the exchange rate of Euro to U.S. dollar ranging from 1.0700 to 1.1053.

Pledge of Assets

As at 31 December 2015, some of the Group's interest-bearing bank borrowings and other borrowings were pledged by intragroup trade receivables of approximately HK$555.5 million (as at 31 December 2014: approximately HK$577.0 million), time deposits of approximately HK$27.2 million (as at 31 December 2014: HK$165.8 million) and inventory of approximately HK$0 million (as at 31 December 2014: HK$84.6 million), and such trade receivables were eliminated by offsetting in the consolidated financial statements of the Group.

Gearing Ratio

As at 31 December 2015, the Group's gearing ratio (calculated by net debt divided by the sum of equity attributable to owners of the parent and net debt; the amount of net debt is calculated by the sum of trade and bills payables, other payables, advances from customers and accruals and interest-bearing bank borrowings and other borrowings (current and non-current) minus cash and cash equivalents) was approximately 50.3% (as at 31 December 2014: approximately 59.6%).

Employees and Remuneration Policy

As at 31 December 2015, the Group had a total of 12,318 full-time employees (as at 31 December 2014, the Group had a total of 12,255 full-time employees). For the year ended 31 December 2015, costs of employees, excluding directors' emoluments, amounted to a total of HK$1,138.6 million (for the year ended 31 December 2014, costs of employees, excluding directors' emoluments, amounted to a total of HK$1,118.2 million). The Group determined the remuneration packages of all employees with reference to individual performance and current market salary scale. The Group provides its employees in the PRC and other countries and regions with welfare schemes as required by applicable local laws and regulations.

On 5 November 2010, the Company 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 2014, 75,857,000 share options were outstanding. On 7 October

2015, 25,850,000 share options were granted under the Share Option Scheme. Up to 31 December 2015, 10,691,500 share options had lapsed and 3,087,000 share options had been exercised. As at 31 December 2015, the outstanding share options were 87,928,500.

OTHER INFORMATION

Annual General Meeting

The annual general meeting of the Company the ("**AGM**") will be held on 26 May 2016 (Thursday). 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 29 March 2016, the Board has resolved to declare the payment of a final dividend of HK$0.05 per share for the year ended 31 December 2015 (2014: nil). Subject to the approval of shareholders of the Company at the AGM, the final dividend will be payable to the shareholders whose names appear on the register of members of the Company on Friday, 3 June 2016. The record date for determining the entitlement to the proposed final dividend is 3 June 2016.

Book Close Period and Record Date

For the purpose 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 transfer documents for registration: 4:30 p.m. on 23 May 2016 (Monday)
- Closure of register of members: 24 May 2016 (Tuesday) to 26 May 2016 (Thursday)

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

For determining the entitlement of the proposed final dividend, the register of members of the Company will be closed from 1 June 2016 to 3 June 2016, 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 Tuesday, 31 May 2016.

Corporate Governance

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

The Company has applied the principles set out in the Code on Corporate Governance Practices ("**CG Code**") as set out in Appendix 14 to the 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 throughout the year ended 31 December 2015, the Company has complied with all the code provisions and, where appropriate, adopted the recommended best practices set out in the CG Code save for the deviation from code provision A.2.1, which is explained as follows:-

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

Mr. Song Zhenghuan is an executive Director, the chairman and CEO of the Company and the founder ofthe Group. The Board considers that vesting the roles of the chairman and CEO of the Company in the same person is necessary because of the importance of Mr. Song in the business development efforts of the Company and it is beneficial to the business prospects and management of the Group. Furthermore, all major decisions are made in consultation with members of the Board, appropriate board committees or senior management of the Group. Throughout the year ended 31 December 2015, there are also three independent non-executive Directors on the Board offering strong, independent and differing perspectives. The Board is therefore of the view that there are adequate balance-of-power and safeguards in place.

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

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 2015.

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 2015.

Model Code for Securities Transactions by Directors

Since the listing of the Company on the Main Board of the Stock Exchange on 24 November 2010, the Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code for the dealings in securities transactions by the Directors. Having made specific enquiries with all Directors of the Company, they have confirmed that they complied with the required standard of dealings set out in the Model Code for the year ended 31 December 2015.

Audit Committee

As at the date of this announcement, the audit committee of the Company (the "**Audit Committee**") consists of Mr. Iain Ferguson Bruce, Mr. Shi Xiaoguang and Ms. Chiang Yun. The chairman of the Audit Committee is Mr. Iain Ferguson Bruce. The annual results of the Company for the year ended 31 December 2015 have been reviewed by the Audit Committee.

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 2015 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available for review on the same websites in due course.

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

Hong Kong, 29 March 2016

As at the date of this announcement, the executive Directors are Mr. Song Zhenghuan, Mr. Martin Pos, Mr. Michael Nan Qu and Mr. Wang Haiye; the non-executive Director is Mr. Ho Kwok Yin, Eric; and the independent non-executive Directors are Mr. Iain Ferguson Bruce, Ms. Chiang Yun and Mr. Shi Xiaoguang.