

# 2016 Interim Report





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# Corporate Information

## CORPORATE INFORMATION

### DIRECTORS

#### Executive Directors

Mr. Song Zhenghuan  
*(Chairman)*

Mr. Martin Pos  
*(Chief Executive Officer)*

Mr. Michael Nan Qu

Mr. Wang Haiye

Mr. Jan Rezab *(appointed on 25 July 2016)*

#### Non-Executive Director

Mr. Ho Kwok Yin, Eric

#### Independent Non-Executive Directors

Mr. Iain Ferguson Bruce

Mr. Shi Xiaoguang

Ms. Chiang Yun

### AUDIT COMMITTEE

Mr. Iain Ferguson Bruce *(Chairman)*

Mr. Shi Xiaoguang

Ms. Chiang Yun

### NOMINATION COMMITTEE

Mr. Iain Ferguson Bruce *(Chairman)*

Mr. Shi Xiaoguang

Ms. Chiang Yun

### REMUNERATION COMMITTEE

Mr. Iain Ferguson Bruce *(Chairman)*

Mr. Shi Xiaoguang

Ms. Chiang Yun

### AUDITORS

Ernst & Young

Certified Public Accountants

22nd Floor

CITIC Tower

1 Tim Mei Avenue, Central

Hong Kong

### LEGAL ADVISOR

#### As to Hong Kong law

Sidley Austin

39th Floor

Two International Finance Centre

Central

Hong Kong

### PRINCIPAL SHARE REGISTRAR

Royal Bank of Canada Trust Company  
(Cayman) Limited

4th Floor, Royal Bank House

24 Shedden Road, George Town

Grand Cayman KY1-1110

Cayman Islands

## **CORPORATE INFORMATION (CONTINUED)**

### **HONG KONG BRANCH SHARE REGISTRAR COMPANY SECRETARY**

Computershare Hong Kong Investor  
Services Limited  
Shops 1712-1716, 17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

Ms. Ho Siu Pik

### **AUTHORIZED REPRESENTATIVES**

Mr. Song Zhenghuan  
Ms. Ho Siu Pik

### **REGISTERED OFFICE**

Cricket Square  
Hutchins Drive  
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Grand Cayman  
KY1-1111  
Cayman Islands

### **PRINCIPAL BANKER**

Bank of China, Kunshan Branch

### **WEBSITE**

[www.gbinternational.com.hk](http://www.gbinternational.com.hk)

### **HEAD OFFICE**

28 East Lufeng Road, Lujia Town, Kunshan City  
Jiangsu Province, 215331  
PRC

### **STOCK CODE**

1086

### **PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Room 2001, 20th Floor  
Two Chinachem Exchange Square  
338 King's Road  
North Point  
Hong Kong

**Goodbaby**  
International







# Management Discussion & Analysis

## MANAGEMENT DISCUSSION AND ANALYSIS

### MANAGEMENT DISCUSSION AND ANALYSIS OVERVIEW

#### Delivering Sustainable Growth

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

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

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

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

#### Region APAC

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

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

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

## **Region EMEA**

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

## **Region Americas**

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

## **Blue Chip Business**

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

## **Integration continues**

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

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Strong leadership, and strategic appointment

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

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

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

### More Opportunities Ahead

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

## FINANCIAL REVIEW

### Revenue

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

## Revenue by business format

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

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Revenue by Products

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

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

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

## **Cost of Sales, Gross Profit and Gross Profit Margin**

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

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

## **Other Income and Gains**

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

## **Selling and Distribution Costs**

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

## **Administrative Expenses**

The administrative expenses of the Group primarily consist of salaries, research and development costs and office expenses. The administrative expenses increased from approximately HK\$439.9 million for the six months ended 30 June 2015 to approximately HK\$460.4 million for the six months ended 30 June 2016. The increase was mainly due to the increase in employee costs.

## **Other Expenses**

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

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Operating Profit

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

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

### Finance Income

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

### Finance Costs

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

### Profit Before Tax

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

### Income Tax Expenses

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



## Profit for the Period

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

## Working Capital and Financial Resources

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

Notes:

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

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

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

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

### Liquidity and Financial Resources

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

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

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

### Contingent Liabilities

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

### Exchange Rate Fluctuations

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

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

### **Pledge of Assets**

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

### **Gearing Ratio**

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

### **Employees and Remuneration Policy**

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

On 5 November 2010, the Company adopted a share option scheme ("**Share Option Scheme**") to incentivize or reward eligible participants (including (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; and (iii) any advisers, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to our Company or any of its subsidiaries) 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As at 31 December 2015, the outstanding share options were 87,928,500. During the six months ended 30 June 2016, 4,072,000 share options had lapsed and 6,174,000 share options had been exercised. As at 30 June 2016, 77,682,500 share options were outstanding. Movements of the share options granted during the six months ended 30 June 2016 were as follows:

Name of grantee	No. of share options outstanding at the beginning of the period	No. of share options granted during the period	No. of shares acquired on exercise of the share options during the period	No. of share options cancelled during the period	No. of share options lapsed during the period	No. of share options exercised during the period	No. of Share options outstanding at the end of the period	Date of grant	Period during which share options are exercisable	Exercise price per share (HK\$)	Closing price of the shares immediately before the date of grant (HK\$)
Employees of the subsidiaries of the Company	18,678,500	0	0	0	322,000	6,174,000	12,182,500	3 January 2012	(i) 236,000 share options: 3 January 2013 to 2 January 2018  (ii) 3,942,345 share options: 3 January 2015 to 2 January 2018  (iii) 3,942,345 share options: 3 January 2016 to 2 January 2018  (iv) 4,061,810 share options: 3 January 2017 to 2 January 2018	2.12	2.12
Directors of the Company, employees of the Group and Ms. Fu Jingqiu (Chairwoman of the Group's largest distributor in the PRC and a substantial shareholder of the Company)	43,400,000	0	0	0	2,350,000	0	41,050,000	29 September 2014	(i) 12,326,666 share options: 29 September 2017 to 28 September 2024  (ii) 16,396,667 share options: 29 September 2018 to 28 September 2024  (iii) 12,326,667 share options: 29 September 2019 to 28 September 2024	3.58	3.58
Eligible participants	25,850,000	0	0	0	1,400,000	0	24,450,000	7 October 2015	(i) one third of the share options: 8,150,000  7 October 2018 to 6 October 2025  (ii) another one third of the share options: 8,150,000  7 October 2019 to 6 October 2025  (iii) the remaining one third of the share options: 8,150,000  7 October 2020 to 6 October 2025	3.75	3.75

No share options were granted under the Share Option Scheme or any share option scheme of the Group during the six months ended 30 June, 2016. The Company estimates the fair value of options granted using binomial tree model.

Significant estimates and assumptions are required to be made in determining the parameters for applying binomial tree model, including estimates and assumptions regarding the risk-free rate of return, expected dividend yield and volatility of the underlying shares and the expected life of the options. These estimates and assumptions could have a material effect on the determination of the fair value of the share options and the amount of such equity awards expected to vest, which may in turn significantly impact the determination of the share based compensation expense. The following assumptions were used to derive the fair values:

	Share options granted on 3 January 2012	Share options granted on 29 September 2014	Share options granted on 7 October 2015
Dividend yield (%)	2.00	1.61	1.28
Spot stock price (HK\$ per share)	2.12	3.4	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	10	10
Weighted average share price (HK\$ per share)	2.12	3.58	3.68

### **Significant Acquisition, Disposal or Investment**

During the six months ending 30 June 2016, the Group had no specific material investment target. The Group did not have any material acquisition and disposals of subsidiaries and associated companies, and investment during the period under review.

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**Other Information**

## OTHER INFORMATION

### PURCHASE, SALES OR REDEMPTION OF SHARES

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### DIVIDENDS

The Board does not recommend payment of any dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

### CORPORATE GOVERNANCE

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

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

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

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

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



## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

## **AUDIT COMMITTEE**

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

The unaudited interim results for the six months ended 30 June 2016 have been reviewed by Ernst & Young in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

## OTHER INFORMATION (CONTINUED)

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

As at 30 June 2016, the interest or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required, pursuant to the Model Code, are as follows:

#### Directors’ Interest in the shares

Name of Director	Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Mr. Song Zhenghuan (Notes 2&3)	Beneficiary of a trust/ Beneficial owner	260,390,000 (L)	23.35%
Mr. Wang Haiye (Note 3)	Beneficial owner	2,400,000 (L)	0.21%
Mr. Martin Pos (Note 3)	Beneficial owner	41,433,498 (L)	3.71%
Mr. Michael Nan Qu (Note 3)	Beneficial owner	2,400,000 (L)	0.21%
Mr. Ho Kwok Yin, Eric (Note 3)	Beneficial owner	1,000,000 (L)	0.08%
Mr. Iain Ferguson Bruce (Note 3)	Beneficial owner	800,000 (L)	0.07%
Mr. Shi Xiaoguang (Note 3)	Beneficial owner	800,000 (L)	0.07%
Ms. Chiang Yun (Note 3)	Beneficial owner	800,000 (L)	0.07%

*Notes:*

- (1) The letter “L” denotes the person’s long position in such shares.
- (2) Mr. Song is a discretionary beneficiary of a trust of which Credit Suisse Trust Limited is the trustee. See note 2 of the section headed “Substantial Shareholders’ Interests and Short Positions” for further details of this interest.
- (3) On 29 September 2014, 1,390,000 share options were granted to Mr. Song, 2,400,000 share options were granted to each of Mr. Wang, Mr. Pos and Mr. Qu, 1,000,000 share options were granted to Mr. Ho and 800,000 shares options were granted to each of Mr. Bruce, Mr. Shi and Ms. Chiang under the Share Option Scheme adopted by the Company on 5 November 2010. In this connection, each of the Directors is deemed to have an interest in the underlying shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, as at 30 June 2016, none of the Directors and chief executives of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning to Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2016, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company:

Name	Capacity	Number of Shares	Approximate Percentage of Shareholding
Pacific United Developments Limited	Beneficial owner	259,000,000 (L)	23.23%
Cayey Enterprises Limited (Note 2)	Interest of controlled corporation	259,000,000 (L)	23.23%
Credit Suisse Trust Limited (Note 2)	Trustee	259,000,000 (L)	23.23%
Grappa Holdings Limited (Note 2)	Interest of controlled corporation	259,000,000 (L)	23.23%
Ms. Fu Jingqiu ("Ms. Fu") (Note 2 & 3)	Settlor/beneficiary of a trust/ Beneficial owner	260,390,000 (L)	23.35%
FIL Limited	Investment Manager	99,381,000 (L)	8.91%
Pioneer Investments Management Limited	Investment Manager	66,091,000 (L)	5.92%
Value Partners Group Limited	Interest of controlled corporation	55,964,000 (L)	5.02%

Notes:

- (1) The letter "L" denotes the person's long position in such shares.
- (2) Pacific United Developments Limited is owned as to 45.39% by Cayey Enterprises Limited, which in turn is, as at 30 June 2016, wholly owned by Grappa Holdings Limited the issued share capital of which is owned as to 50% by Seletar Limited and as to 50% by Serangoon Limited, as nominees for Credit Suisse Trust Limited, which is the trustee holding such interest on trust for the beneficiaries of the Grappa Trust. The beneficiaries of the Grappa Trust include Mr. Song, Ms. Fu and family members of Mr. Song and Ms. Fu. The Grappa Trust is a revocable discretionary trust established under the laws of Singapore.
- (3) On 29 September 2014, Ms. Fu was granted 1,390,000 share options under the Share Option Scheme adopted by the Company on 5 November 2010. Ms. Fu is deemed to have an interest in the 1,390,000 underlying shares of the Company within the meaning of the SFO.

Save as disclosed above, as at 30 June 2016, the Directors were not aware of any other person or corporation having an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange.

## OTHER INFORMATION (CONTINUED)

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

Changes in Directors' biographical details since the date of the 2015 annual report of the Company, which are required to be disclosed pursuant to Rules 13.51(2) and 13.51(B)(1) of the Listing Rules, are set out below.

**Mr. Michael Nan Qu**

Appointment as director of Muebles Para Ninos De Baja, S.A. De C.V. with effect from 24 February 2016.

**Ms. Chiang Yun**

Appointment as independent non-executive Director as well as member of Audit Committee and Health, Safety and Security Committee of Merlin Entertainments Plc., a company listed on London Stock Exchange, with effect from 1 January 2016 and 24 February 2016 respectively.

**Increase of directors' remuneration**

The Remuneration Committee of the Company has determined at a meeting held on 29 March 2016 to increase the remuneration of the non-executive Director and the independent non-executive Directors of the Company with effect from 1 April 2016, details of which are listed as follows, and the Board has been notified of such matter at a board meeting held on the same day:-

Name	Position	Annual remuneration before 1 April 2016	Annual remuneration with effect from 1 April 2016
Ho Kwok Yin, Eric	Non-executive Director	director's fee of US\$28,000 per annum and additional remuneration up to a maximum of US\$50,000 per year for advisory consulting services that the Group may acquire from time to time	director's fee of US\$35,000 per annum and additional remuneration up to a maximum of US\$50,000 per year for advisory consulting services that the Group may acquire from time to time

<b>Name</b>	<b>Position</b>	<b>Annual remuneration before 1 April 2016</b>	<b>Annual remuneration with effect from 1 April 2016</b>
Iain Ferguson Bruce	Independent non-executive Director	US\$50,000	US\$60,000
Shi Xiaoguang	Independent non-executive Director	US\$33,000	US\$40,000
Chiang Yun	Independent non-executive Director	US\$33,000	US\$40,000

Save as mentioned above, there is no change of information of each Director that is required to be disclosed under Rules 13.51(2) and 13.51(B)(1) of the Listing Rules since the publication of the 2015 annual report of the Company.

For and on behalf of the Board of Directors

**Song Zhenghuan**

*Chairman*

29 August 2016

**Goodbaby**  
International





**Report on Review of  
Interim Condensed  
Consolidated  
Financial Statements**

# **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**To the shareholders of Goodbaby International Holdings Limited**

(Incorporated in the Cayman Islands with limited liability)

## **INTRODUCTION**

We have reviewed the accompanying interim condensed consolidated financial statements of Goodbaby International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2016, comprising of the interim consolidated statement of financial position as at 30 June 2016 and the related interim consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory information. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim condensed consolidated financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS34”).

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

## **SCOPE OF REVIEW**

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



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

## **CONCLUSION**

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

Ernst & Young  
Certified Public Accountants  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong  
29 August 2016

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 (Unaudited) (HK\$' 000)	31 December 2015 (Audited) (HK\$' 000)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	860,793	878,769
Prepaid land lease payments		57,418	59,608
Goodwill	12	823,596	819,619
Other intangible assets	13	686,984	682,256
Investment in a joint venture		852	844
Deferred tax assets		58,813	43,092
Other long-term assets		4,064	3,637
Total non-current assets		<u>2,492,520</u>	<u>2,487,825</u>
<b>CURRENT ASSETS</b>			
Inventories	14	1,114,290	1,244,756
Trade and notes receivables	15	668,104	695,599
Prepayments and other receivables		178,168	143,629
Due from a related party	24	391,566	303,758
Available-for-sale investments	16	243,361	310,347
Cash and cash equivalents		743,747	705,291
Time deposits		2,568	2,726
Pledged time deposits		45,706	27,199
Derivative financial instruments		1,005	421
Total current assets		<u>3,388,515</u>	<u>3,433,726</u>
<b>CURRENT LIABILITIES</b>			
Trade and notes payables	17	930,243	941,205
Other payables, advances from customers and accruals		521,254	463,929
Interest-bearing bank loans and other borrowings	18	616,909	691,700
Income tax payable		40,266	68,205
Provisions		35,401	37,353
Defined benefit plan liabilities		472	465
Dividends payable		3,672	8
Total current liabilities		<u>2,148,217</u>	<u>2,202,865</u>
<b>NET CURRENT ASSETS</b>		<u>1,240,298</u>	<u>1,230,861</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>3,732,818</u>	<u>3,718,686</u>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2016

	Notes	30 June 2016 (Unaudited) (HK\$'000)	31 December 2015 (Audited) (HK\$'000)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,732,818</b>	3,718,686
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank loans and other borrowings	18	961,942	1,005,918
Provisions		76,790	78,732
Defined benefit plan liabilities		17,553	14,216
Other non-current liabilities		9,779	10,577
Deferred tax liabilities		204,497	201,141
Total non-current liabilities		1,270,561	1,310,584
<b>Net assets</b>		<b>2,462,257</b>	2,408,102
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	19	11,148	11,086
Reserves		2,405,623	2,354,172
		2,416,771	2,365,258
Non-controlling interests		45,486	42,844
<b>Total equity</b>		<b>2,462,257</b>	2,408,102

**SONG Zhenghuan**  
*Director*

**WANG Haiye**  
*Director*

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the parent										Non-controlling interests	Total equity
	Share capital	Share premium	Share option reserve	Statutory reserve funds	Cumulative translation adjustments	Defined benefit plans	Merger reserve	Capital reserve	Retained earnings	Total		
	(HK\$' 000)	(HK\$' 000)	(HK\$' 000)	(HK\$' 000)	(HK\$' 000)	(HK\$' 000)	(HK\$' 000)	(HK\$' 000)	(HK\$' 000)	(HK\$' 000)	(HK\$' 000)	(HK\$' 000)
As at 1 January 2016	11,086	1,208,078	30,907	149,499	39,587	(6,186)	153,975	(20,244)	798,556	2,365,258	42,844	2,408,102
Profit for the period	-	-	-	-	-	-	-	-	107,140	107,140	2,968	110,108
Other comprehensive income for the period:												
Remeasurement effects of defined benefit plans	-	-	-	-	-	(2,893)	-	-	-	(2,893)	-	(2,893)
Exchange differences on translation	-	-	-	-	(19,312)	-	-	-	-	(19,312)	(326)	(19,638)
Total comprehensive income for the period	-	-	-	-	(19,312)	(2,893)	-	-	107,140	84,935	2,642	87,577
Dividends	-	-	-	-	-	-	-	-	(55,679)	(55,679)	-	(55,679)
Issue of shares	62	18,384	(5,357)	-	-	-	-	-	-	13,089	-	13,089
Equity-settled share option arrangements	-	-	9,168	-	-	-	-	-	-	9,168	-	9,168
At 30 June 2016 (Unaudited)	<u>11,148</u>	<u>1,226,462</u>	<u>34,718</u>	<u>149,499</u>	<u>20,275</u>	<u>(9,079)</u>	<u>153,975</u>	<u>(20,244)</u>	<u>850,017</u>	<u>2,416,771</u>	<u>45,486</u>	<u>2,462,257</u>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2015

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	For the six months ended 30 June	
	2016 (Unaudited) (HK\$' 000)	2015 (Unaudited) (HK\$' 000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax:	<b>145,389</b>	127,673
Adjustments for:		
Depreciation and amortisation	<b>99,161</b>	94,063
Loss on disposal of items of property, plant and equipment	<b>358</b>	1
Gain on wealth investment products	<b>(3,484)</b>	(1,892)
Fair value losses/(gains) on derivative financial instruments	<b>311</b>	(3,167)
Share of (profits)/losses of a joint venture	<b>(25)</b>	15
Write-down of inventories	<b>24,109</b>	-
Reversal of impairment of inventories	<b>-</b>	(4,678)
Impairment of receivables	<b>545</b>	-
Reversal of impairment of receivables	<b>-</b>	(720)
Interest expense	<b>25,997</b>	29,092
Interest income	<b>(2,216)</b>	(3,619)
Increase in defined benefit plan liabilities	<b>3,344</b>	-
Decrease in inventories	<b>106,357</b>	150,636
Decrease in trade and notes receivables	<b>19,304</b>	24,267
Decrease/(increase) in prepayments and other receivables	<b>(34,897)</b>	10,078
Increase in amounts due from a related party	<b>(87,808)</b>	(102,714)
(Increase)/decrease in derivative financial instruments	<b>(584)</b>	3,145
(Decrease)/increase in trade and notes payables	<b>(10,962)</b>	34,887
Increase in other payables, advances from customers and accruals	<b>56,425</b>	40,791
(Decrease)/increase in provisions	<b>(3,894)</b>	4,587
Decrease in other liabilities	<b>(798)</b>	(4,031)
Increase in other long term assets	<b>(427)</b>	(514)
Income tax paid	<b>(75,585)</b>	(13,993)
Net cash flows generated from operating activities	<b>260,620</b>	383,907



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2016

	For the six months ended 30 June	
	2016 (Unaudited) (HK\$' 000)	2015 (Unaudited) (HK\$' 000)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of items of property, plant and equipment	15,971	1,559
Proceeds from disposal of Intangible assets	266	-
Interest received	2,574	1,272
Gain on wealth investment products received	3,484	1,892
Purchase of items of property, plant and equipment	(97,721)	(62,623)
Purchase of intangible assets	(7,182)	(8,105)
Decrease/(increase) of time deposits	158	49,962
Acquisition of subsidiaries	-	(32,541)
Purchases of available-for-sale investments	(1,560,527)	(949,990)
Proceeds from disposed available-for-sale investments	1,622,315	1,030,083
	<u>(20,662)</u>	<u>31,509</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	13,089	2,786
Proceeds from borrowings	646,143	1,433,216
Repayment of borrowings	(762,552)	(1,660,019)
Interest paid	(25,097)	(29,136)
(Increase)/decrease in pledged time deposits	(18,507)	78,852
Dividends paid	(52,015)	-
	<u>(198,939)</u>	<u>(174,301)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at beginning of year	705,291	434,661
Effect of foreign exchange rate changes, net	(2,563)	(7,180)
	<u>743,747</u>	<u>668,596</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		

## **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the six months ended 30 June 2016

### **1. CORPORATE INFORMATION**

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

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

### **2.1 BASIS OF PREPARATION**

The interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

### **2.2 CHANGES TO THE GROUP'S ACCOUNTING POLICIES**

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

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

For the six months ended 30 June 2016

## 2.3 ADOPTION OF NEW AND REVISED IFRSs

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

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

Amendments to IFRS 10, IFRS 12 and IAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to IFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to IAS 1	<i>Disclosure Initiative</i>
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to IAS 16 and IAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to IAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of IFRSs

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

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

## 3. OPERATING SEGMENTS

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

- (a) Strollers and accessories segment, which engages in the research, design, manufacturing and selling of strollers and accessories under the Group's own brands and third parties' brands;
- (b) Car seats and accessories segment, which engages in the research, design, manufacturing and selling of car seats and accessories under the Group's own brands and third parties' brands; and
- (c) Other durable juvenile products segment, which engages in the research, design, manufacturing and selling of cribs and accessories and other children's products under the Group's own brands and third parties' brands.

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

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

For the six months ended 30 June 2016

**3. OPERATING SEGMENTS** (Continued)

Six months ended 30 June 2016

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

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

For the six months ended 30 June 2016

### 3. OPERATING SEGMENTS (Continued)

Six months ended 30 June 2015

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

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

For the six months ended 30 June 2016

### 4. REVENUE AND OTHER INCOME AND GAINS

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

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>(HK\$' 000)</b>	(HK\$' 000)
	<b>(Unaudited)</b>	(Unaudited)
<b>Revenue:</b>		
Sales of goods	<b>3,214,894</b>	3,684,396
<b>Other income and gains:</b>		
Government grants (note (a))	<b>6,929</b>	2,087
Gain on wealth investment products (note (b))	<b>3,484</b>	1,892
Net foreign exchange gains	<b>1,785</b>	31,525
Gain on sale of materials	<b>1,766</b>	3,541
Service fee income (note (c))	<b>470</b>	665
Compensation income (note (d))	<b>164</b>	181
Net fair value gains on call and put option of acquisition of NICAM A/S	<b>356</b>	-
Gain on release of redundancy payments	-	6,677
Net fair value gains on derivative instruments not qualifying as hedges	-	3,167
Others	<b>1,540</b>	326
<b>Total</b>	<b>16,494</b>	50,061

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

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

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

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

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

For the six months ended 30 June 2016

### 5. FINANCE INCOME

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

### 6. FINANCE COSTS

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

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

For the six months ended 30 June 2016

### 7. PROFIT BEFORE TAX

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

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>(HK\$' 000)</b>	(HK\$' 000)
	<b>(Unaudited)</b>	(Unaudited)
Cost of inventories sold	<b>2,140,406</b>	2,811,831
Depreciation of property, plant and equipment	<b>86,965</b>	82,434
Amortisation of intangible assets	<b>11,082</b>	10,513
Amortisation of prepaid land lease payments	<b>1,114</b>	1,116
Research and development costs	<b>151,625</b>	162,087
Lease payments under operating leases in respect of properties	<b>48,614</b>	52,426
Auditors' remuneration	<b>5,635</b>	5,640
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	<b>587,861</b>	566,275
Share option expense	<b>9,168</b>	6,987
Pension scheme costs (defined benefit plans)	<b>576</b>	814
Pension scheme contributions	<b>17,658</b>	20,069
	<b>615,263</b>	594,145
Net foreign exchange gains	<b>(1,785)</b>	(31,525)
Impairment of receivables	<b>545</b>	-
Reversal of impairment of receivables	-	(720)
Product warranties and liabilities	<b>16,932</b>	10,736
Write-down of inventories	<b>24,109</b>	-
Reversal of impairment of inventories	-	(4,678)
Net fair value losses/(gains) on derivative instruments		
not qualifying as hedges	<b>311</b>	(3,167)
Loss on disposal of items of property, plant and equipment	<b>358</b>	1
Bank interest income	<b>(2,216)</b>	(3,619)



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

For the six months ended 30 June 2016

## 8. INCOME TAX EXPENSE

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

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

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

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

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

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

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

All of the Group's subsidiaries registered in the People's Republic of China (the "PRC"), which only have operations in Mainland China, are subject to PRC enterprise income tax ("EIT") at the rate of 25% on the taxable income as reported in their PRC statutory accounts adjusted in accordance with the law of the PRC on Enterprise Income Tax (the "EIT Law").

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

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

For the six months ended 30 June 2016

### 8. INCOME TAX EXPENSE (Continued)

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

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

### 9. DIVIDENDS PAID AND PROPOSED

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

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

For the six months ended 30 June 2016

## 10. EARNINGS PER SHARE

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

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

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

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>(HK\$' 000)</b>	(HK\$' 000)
	<b>(Unaudited)</b>	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the earnings per share calculation	<b>107,140</b>	88,332
	<u>107,140</u>	<u>88,332</u>
	<b>Number of shares</b>	
	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>(' 000)</b>	(' 000)
	<b>(Unaudited)</b>	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>1,110,409</b>	1,101,337
	<u>1,110,409</u>	<u>1,101,337</u>
Effect of dilution-weighted average number of ordinary shares:		
Share options	<b>4,059</b>	3,988
	<u>4,059</u>	<u>3,988</u>
	<b>1,114,468</b>	1,105,325
	<u>1,114,468</u>	<u>1,105,325</u>

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

For the six months ended 30 June 2016

### 11. PROPERTY, PLANT AND EQUIPMENT

#### 30 June 2016

	Buildings (HK\$'000)	Plant and machinery (HK\$'000)	Motor vehicles (HK\$'000)	Furniture and fixtures (HK\$'000)	Leasehold improvements (HK\$'000)	Construction in progress (HK\$'000)	Total (HK\$'000)
At 31 December 2015 and at 1 January 2016:							
Cost	562,441	840,035	10,790	307,033	69,077	36,240	1,825,616
Accumulated depreciation	(238,365)	(470,448)	(7,455)	(190,425)	(40,154)	—	(946,847)
Net carrying amount	<u>324,076</u>	<u>369,587</u>	<u>3,335</u>	<u>116,608</u>	<u>28,923</u>	<u>36,240</u>	<u>878,769</u>
At 1 January 2016, net of accumulated depreciation	324,076	369,587	3,335	116,608	28,923	36,240	878,769
Additions	-	25,444	506	34,510	2,557	34,704	97,721
Transfers	2,590	16,781	-	2,721	462	(22,554)	-
Disposals	(39)	(3,359)	(3)	(8,908)	(89)	(3,931)	(16,329)
Depreciation provided during the period	(12,537)	(41,205)	(595)	(29,055)	(3,573)	-	(86,965)
Translation adjustments	(4,233)	(6,578)	(59)	(2,000)	383	84	(12,403)
At 30 June 2016, net of accumulated depreciation	<u>309,857</u>	<u>360,670</u>	<u>3,184</u>	<u>113,876</u>	<u>28,663</u>	<u>44,543</u>	<u>860,793</u>
At 30 June 2016:							
Cost	555,659	858,291	11,080	322,283	71,908	44,543	1,863,764
Accumulated depreciation	(245,802)	(497,621)	(7,896)	(208,407)	(43,245)	-	(1,002,971)
Net carrying amount	<u>309,857</u>	<u>360,670</u>	<u>3,184</u>	<u>113,876</u>	<u>28,663</u>	<u>44,543</u>	<u>860,793</u>

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

For the six months ended 30 June 2016

## 11. PROPERTY, PLANT AND EQUIPMENT (Continued)

### 31 December 2015

	Buildings and land (HK\$'000)	Plant and machinery (HK\$'000)	Motor vehicles (HK\$'000)	Furniture and fixtures (HK\$'000)	Leasehold improvements (HK\$'000)	Construction in progress (HK\$'000)	Total (HK\$'000)
At 31 December 2014 and at 1 January 2015:							
Cost	588,205	778,800	11,564	283,486	65,442	46,060	1,773,557
Accumulated depreciation	(225,595)	(436,541)	(6,407)	(147,656)	(36,405)	-	(852,604)
Net carrying amount	<u>362,610</u>	<u>342,259</u>	<u>5,157</u>	<u>135,830</u>	<u>29,037</u>	<u>46,060</u>	<u>920,953</u>
At 1 January 2015,							
net of accumulated depreciation	362,610	342,259	5,157	135,830	29,037	46,060	920,953
Additions	938	77,008	263	41,393	9,136	55,105	183,843
Acquisition of subsidiaries	-	-	-	51	-	-	51
Disposals	(138)	(5,552)	(58)	(1,155)	(126)	(6,438)	(13,467)
Depreciation provided during the year	(26,892)	(79,564)	(1,915)	(60,727)	(4,744)	-	(173,842)
Transfers	1,996	47,632	116	7,537	-	(57,281)	-
Translation adjustments	(14,438)	(12,196)	(228)	(6,321)	(4,380)	(1,206)	(38,769)
At 31 December 2015, net of accumulated depreciation	<u>324,076</u>	<u>369,587</u>	<u>3,335</u>	<u>116,608</u>	<u>28,923</u>	<u>36,240</u>	<u>878,769</u>
At 31 December 2015:							
Cost	562,441	840,035	10,790	307,033	69,077	36,240	1,825,616
Accumulated depreciation	(238,365)	(470,448)	(7,455)	(190,425)	(40,154)	-	(946,847)
Net carrying amount	<u>324,076</u>	<u>369,587</u>	<u>3,335</u>	<u>116,608</u>	<u>28,923</u>	<u>36,240</u>	<u>878,769</u>

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

For the six months ended 30 June 2016

### 12. GOODWILL

	(HK\$' 000)
Cost and net carrying amount at 31 December 2014 and 1 January 2015	837,717
Acquisition of a subsidiary	5,692
Exchange realignment	<u>(23,790)</u>
Cost and net carrying amount at 31 December 2015 and 1 January 2016	819,619
Exchange realignment	<u>3,977</u>
Cost and net carrying amount at 30 June 2016	<u><u>823,596</u></u>

### 13. OTHER INTANGIBLE ASSETS

#### 30 June 2016

	Trademarks (HK\$' 000)	Computer software (HK\$' 000)	Non-compet agreement (HK\$' 000)	Customer relationship (HK\$' 000)	Patents (HK\$' 000)	Total (HK\$' 000)
At 31 December 2015 and at 1 January 2016:						
Cost	510,837	30,238	6,131	143,344	54,654	745,204
Accumulated amortisation	<u>(24,879)</u>	<u>(14,026)</u>	<u>(2,350)</u>	<u>(13,663)</u>	<u>(8,030)</u>	<u>(62,948)</u>
Net carrying amount	<u><u>485,958</u></u>	<u><u>16,212</u></u>	<u><u>3,781</u></u>	<u><u>129,681</u></u>	<u><u>46,624</u></u>	<u><u>682,256</u></u>
At 1 January 2016,						
net of accumulated amortisation	485,958	16,212	3,781	129,681	46,624	682,256
Additions	101	5,323	-	-	1,758	7,182
Disposal	-	(266)	-	-	-	(266)
Amortisation provided during the period	(1,423)	(1,936)	(625)	(4,544)	(2,554)	(11,082)
Translation adjustments	<u>6,769</u>	<u>216</u>	<u>72</u>	<u>1,187</u>	<u>650</u>	<u>8,894</u>
At 30 June 2016,						
net of accumulated depreciation	<u><u>491,405</u></u>	<u><u>19,549</u></u>	<u><u>3,228</u></u>	<u><u>126,324</u></u>	<u><u>46,478</u></u>	<u><u>686,984</u></u>
At 30 June 2016:						
Cost	517,707	35,450	6,248	144,684	57,171	761,260
Accumulated amortisation	<u>(26,302)</u>	<u>(15,901)</u>	<u>(3,020)</u>	<u>(18,360)</u>	<u>(10,693)</u>	<u>(74,276)</u>
Net carrying amount	<u><u>491,405</u></u>	<u><u>19,549</u></u>	<u><u>3,228</u></u>	<u><u>126,324</u></u>	<u><u>46,478</u></u>	<u><u>686,984</u></u>

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

For the six months ended 30 June 2016

## 13. OTHER INTANGIBLE ASSETS (Continued)

### 31 December 2015

	Trademarks (HK\$'000)	Computer software (HK\$'000)	Non-compete agreement (HK\$'000)	Customer relationship (HK\$'000)	Patents (HK\$'000)	Total (HK\$'000)
At 31 December 2014 and at 1 January 2015:						
Cost	545,644	19,911	6,842	125,579	57,465	755,441
Accumulated amortisation	(23,922)	(9,588)	(1,254)	(5,054)	(3,714)	(43,532)
Net carrying amount	<u>521,722</u>	<u>10,323</u>	<u>5,588</u>	<u>120,525</u>	<u>53,751</u>	<u>711,909</u>
At 1 January 2015,						
net of accumulated amortisation	521,722	10,323	5,588	120,525	53,751	711,909
Additions	3,981	9,884	-	-	1,938	15,803
Acquisition of subsidiaries	-	-	-	25,581	-	25,581
Amortisation provided during the year	(1,029)	(3,374)	(1,242)	(9,036)	(4,689)	(19,370)
Translation adjustments	(38,716)	(621)	(565)	(7,389)	(4,376)	(51,667)
At 31 December 2015, net of accumulated depreciation	<u>485,958</u>	<u>16,212</u>	<u>3,781</u>	<u>129,681</u>	<u>46,624</u>	<u>682,256</u>
At 31 December 2015:						
Cost	510,837	30,238	6,131	143,344	54,654	745,204
Accumulated amortisation	(24,879)	(14,026)	(2,350)	(13,663)	(8,030)	(62,948)
Net carrying amount	<u>485,958</u>	<u>16,212</u>	<u>3,781</u>	<u>129,681</u>	<u>46,624</u>	<u>682,256</u>

## 14. INVENTORIES

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

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

For the six months ended 30 June 2016

### 15. TRADE AND NOTES RECEIVABLES

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

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

The Group's notes 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 and net of provisions, is as follows:

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



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

For the six months ended 30 June 2016

### 16. AVAILABLE-FOR-SALE INVESTMENTS

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

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

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

### 17. TRADE AND NOTES PAYABLES

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

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

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

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

For the six months ended 30 June 2016

### 18. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

		As at 30 June 2016			As at 31 December 2015		
		Effective interest rate (%)	Maturity	HK\$'000 (Unaudited)	Effective interest rate (%)	Maturity	HK\$'000 (Audited)
<b>Current</b>							
Bank borrowings - secured							
by trade receivables	Note(a)	1.014-1.680	2016	379,081	1.010-1.680	2016	499,925
Current portion of long-term bank loans - guaranteed by the Company and pledged by shares	Note(b)	1.750 + 6M EURIBOR	2016	51,695	1.750+ 6M EURIBOR	2016	29,959
Bank borrowings - secured by a standby letter of credit and time deposits	Note(c)	1.620	2016	50,430	1.620	2016	112,386
Bank borrowings - secured by a letter of guarantee	Note(d)	1.761-1.773	2016	77,586	1.540	2016	38,754
Bank borrowings - unsecured		2.250-2.500	2016	965	2.500	2016	895
Current portion of long-term bank loans - unsecured		-	-	-	2.250	2016	635
Promissory note	Note(e)	6.000	2017	726	-	-	-
Bank borrowings - secured by time deposits		-	-	-	1.580	2016	9,146
Bank overdraft	Note(f)	1.700-1.750	On demand	56,426	-	-	-
				<u>616,909</u>			<u>691,700</u>
<b>Non-current</b>							
Bank borrowings - guaranteed by the Company and secured by a standby letter of credit	Note(g)	2.500 + 6M LIBOR	2018-2021	760,652	2.500 + 6M LIBOR	2018-2021	759,897
Promissory note	Note(e)	6.000	2018-2021	2,482	6.000	2017-2021	3,113
Bank borrowings - guaranteed by the Company and pledged by shares	Note(b)	1.750 + 6M EURIBOR	2017-2018	198,808	1.750 + 6M EURIBOR	2017-2018	242,908
				<u>961,942</u>			<u>1,005,918</u>
<b>Total</b>				<u><u>1,578,851</u></u>			<u><u>1,697,618</u></u>

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

For the six months ended 30 June 2016

## 18. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS (Continued)

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

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

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

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

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

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

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

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

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

For the six months ended 30 June 2016

**19. SHARE CAPITAL**

	<b>Number of shares in issue (‘000)</b>	<b>Issued capital (HK\$‘000)</b>
Issued and fully paid:		
At 1 January 2016	1,108,598	11,086
Share options exercised (note(a))	<u>6,174</u>	<u>62</u>
At 30 June 2016	<u><u>1,114,772</u></u>	<u><u>11,148</u></u>

Note (a): The subscription rights attaching to 6,174,000 share options were exercised at the subscription prices of HK\$2.12 per share, resulting in the issue of 6,174,000 shares of HK\$0.01 each for a total cash consideration, before expenses, of HK\$61,740.

Details of the Group’s share option scheme and the share options issued under the scheme are included in note 20 to the financial statements.

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

For the six months ended 30 June 2016

## 20.SHARE OPTION SCHEME

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

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

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

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

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

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

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

For the six months ended 30 June 2016

### 20.SHARE OPTION SCHEME (Continued)

The following share options were outstanding under the Scheme during the six months ended 30 June 2016:

	<b>Weighted average exercise price HK\$ per share</b>	<b>Number of options '000</b>
At 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)
	<hr/>	<hr/>
At 31 December 2015, 1 January 2016	3.320	87,929
Forfeited during the period	3.523	(4,072)
Exercised during the period	2.120	(6,174)
	<hr/>	<hr/>
At 30 June 2016	<u>3.405</u>	<u>77,683</u>

The weighted average share price at the date of exercise for share options exercised during the six months ended 30 June 2016 was HK\$4.26 per share (2015: HK\$3.03 per share).

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

<b>30 June 2016</b>		
<b>Number of options '000</b>	<b>Exercise price HK\$ per share</b>	<b>Exercise period</b>
<b>236</b>	2.120	3 January 2013 to 2 January 2018
<b>3,941</b>	2.120	3 January 2015 to 2 January 2018
<b>3,941</b>	2.120	3 January 2016 to 2 January 2018
<b>4,065</b>	2.120	3 January 2017 to 2 January 2018
<b>12,326</b>	3.580	29 September 2017 to 28 September 2024
<b>16,397</b>	3.580	29 September 2018 to 28 September 2024
<b>12,327</b>	3.580	29 September 2019 to 28 September 2024
<b>8,150</b>	3.750	7 October 2018 to 6 October 2028
<b>8,150</b>	3.750	7 October 2019 to 6 October 2028
<b>8,150</b>	3.750	7 October 2020 to 6 October 2028
<hr/> <b>77,683</b> <hr/>		

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

For the six months ended 30 June 2016

## 20.SHARE OPTION SCHEME (Continued)

### 31 December 2015

Number of options '000	Exercise price HK\$ per share	Exercise period
384	2.120	3 January 2013 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
<u>87,929</u>		

The Group recognised a share option expense of HK\$9,168,000 during the six months ended 30 June 2016 (six months ended 30 June 2015: HK\$6,987,000).

The fair value of equity-settled share options granted was estimated as at the date of grant, using a binomial tree modal, 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	10	10
Weighted average share price (HK\$ per share)	2.12	3.58	3.68

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

For the six months ended 30 June 2016

### **20.SHARE OPTION SCHEME** (Continued)

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 6,174,000 share options exercised during the period resulted in the issue of 6,174,000 ordinary shares of the Company and new share capital of HK\$61,740 and share premium of HK\$18,384,000 (before issue expenses).

At the end of the reporting period, the Company had 77,683,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 77,683,000 additional ordinary shares of the Company and additional share capital of HK\$776,830 and share premium of HK\$263,696,575 (before issue expenses).

At the date of approval of these financial statements, the Company had 77,683,000 share options outstanding under the Scheme, which represented approximately 6.97% of the Company's shares in issue as at that date.



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

For the six months ended 30 June 2016

### 21. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

#### Financial assets

As at 30 June 2016

	Financial assets at fair value through profit or loss (HK\$' 000)	Available- for-sale financial assets (HK\$' 000)	Loans and receivables (HK\$' 000)	Total (HK\$' 000)
Trade and notes receivables	-	-	668,104	668,104
Financial assets included in prepayments and other receivables	-	-	125,582	125,582
Due from related parties	-	-	391,566	391,566
Available-for-sale investments	-	243,361	-	243,361
Derivative financial instruments	1,005	-	-	1,005
Other long-term assets	4,064	-	-	4,064
Pledged time deposits	-	-	45,706	45,706
Time deposits	-	-	2,568	2,568
Cash and cash equivalents	-	-	743,747	743,747
	<b>5,069</b>	<b>243,361</b>	<b>1,977,273</b>	<b>2,225,703</b>

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

For the six months ended 30 June 2016

**21. FINANCIAL INSTRUMENTS BY CATEGORY** (Continued)

**Financial assets** (Continued)

**As at 31 December 2015**

	Financial assets at fair value through profit or loss (HK\$' 000)	Available- for-sale financial assets (HK\$' 000)	Loans and receivables (HK\$' 000)	Total (HK\$' 000)
Trade and notes receivables	-	-	695,599	695,599
Financial assets included in prepayments and other receivables	-	-	93,595	93,595
Due from a related party	-	-	303,758	303,758
Available-for-sale investments	-	310,347	-	310,347
Derivative financial instruments	421	-	-	421
Other long-term assets	3,637	-	-	3,637
Pledged time deposits	-	-	27,199	27,199
Time deposits	-	-	2,726	2,726
Cash and cash equivalents	-	-	705,921	705,921
	<u>4,058</u>	<u>310,347</u>	<u>1,828,798</u>	<u>2,143,203</u>

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

For the six months ended 30 June 2016

## 21. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

### Financial liabilities:

#### As at 30 June 2016

Financial liabilities included in other payables, advances  
from customers and accruals  
Trade and notes payables  
Interest-bearing bank borrowings  
Other non-current liabilities

#### Total

**Financial  
liabilities at  
amortised  
cost  
(HK\$' 000)**

**107,170**

**930,243**

**1,578,851**

**6,703**

**2,622,967**

#### As at 31 December 2015

Financial liabilities include in other payables, advances  
from customers and accruals  
Trade and notes payables  
Interest-bearing bank borrowings  
Other liabilities

#### Total

Financial  
liabilities at  
amortised  
cost  
(HK\$' 000)

84,574

941,205

1,697,618

6,578

2,729,975

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

For the six months ended 30 June 2016

**22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

**Financial assets:**

**30 June 2016**

	<b>Carrying amount (HK\$' 000)</b>	<b>Fair value (HK\$' 000)</b>
Derivative financial instruments-forward contract	1,005	1,005
Other long-term assets - call option over non-controlling interests	4,064	4,064
Available-for-sale investments	<u>243,361</u>	<u>243,361</u>
<b>Total</b>	<b><u>248,430</u></b>	<b><u>248,430</u></b>

**31 December 2015**

	Carrying amount (HK\$' 000)	Fair value (HK\$' 000)
Derivative financial instruments	421	421
Other long-term assets - call option over non-controlling interests	3,637	3,637
Available-for-sale investments	<u>310,347</u>	<u>310,347</u>
<b>Total</b>	<b><u>314,405</u></b>	<b><u>314,405</u></b>

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

For the six months ended 30 June 2016

### 22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

#### Financial liabilities:

#### 30 June 2016

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

#### Total

Carrying amount (HK\$' 000)	Fair value (HK\$' 000)
6,703	6,703
1,578,851	1,578,851
<b>1,585,554</b>	<b>1,585,554</b>

#### 31 December 2015

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

#### Total

Carrying amount (HK\$' 000)	Fair value (HK\$' 000)
6,578	6,578
1,697,618	1,697,618
<b>1,704,196</b>	<b>1,704,196</b>

Management has assessed that the fair values of cash and cash equivalents, trade and notes receivables, financial assets included in prepayments, other receivables, time deposits, pledged time deposits, current interest-bearing bank loans, trade and notes payables, other liabilities, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments. The carrying amount of the non-current interest-bearing bank loans of the Group approximates to their fair value because the loans have a floating interest rate.

The finance manager of each subsidiary of the Group is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The Group finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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

For the six months ended 30 June 2016

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Group enters into forward currency contracts with various counterparties, principally financial institutions with high credit ratings. The forward currency contracts are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts are the same as their fair values.

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

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

As at 30 June 2016, the marked to market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the financial instruments recognised at fair value.

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

For the six months ended 30 June 2016

### 22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

#### Fair value hierarchy

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

#### Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets Level 1 (HK\$' 000)	Significant observable inputs Level 2 (HK\$' 000)	Significant unobservable inputs Level 3 (HK\$' 000)	
30 June 2016 (HK\$' 000)				
Financial assets at fair value through profit or loss				
- Forward currency contracts	1,005	-	1,005	-
- Call option over non-controlling interests	4,064	-	-	4,064
Available-for-sale investments	243,361	-	-	243,361
	<b>248,430</b>	<b>-</b>	<b>1,005</b>	<b>247,425</b>
31 December 2015 (HK\$' 000)				
Financial assets at fair value through profit or loss				
- Forward currency contracts	421	-	421	-
- Call option over non-controlling interests	3,637	-	-	3,637
Available-for-sale investments	310,347	-	-	310,347
	<b>314,405</b>	<b>-</b>	<b>421</b>	<b>313,984</b>

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

For the six months ended 30 June 2016

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

**Fair value hierarchy** (Continued)

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

	<b>30 June 2016 (HK\$' 000)</b>	31 December 2015 (HK\$' 000)
At 1 January	<b>313,984</b>	206,389
Remeasurement recognised in other income and gains	<b>356</b>	(5,849)
Purchases	<b>1,560,527</b>	1,240,449
Disposals	<b>(1,622,315)</b>	(1,109,105)
Exchange realignment	<b>(5,127)</b>	(17,900)
	<b><u>247,425</u></b>	<u>313,984</u>

**Liabilities for which fair values are disclosed:**

	Fair value measurement using			
	30 June 2016 (HK\$' 000)	Quoted prices in active markets Level 1 (HK\$' 000)	Significant observable inputs Level 2 (HK\$' 000)	Significant unobservable inputs Level 3 (HK\$' 000)
Put option over non-controlling interests	<b>6,703</b>	-	-	<b>6,703</b>
Interest-bearing bank borrowings	<b>1,578,851</b>	-	<b>1,578,851</b>	-
	<b><u>1,585,554</u></b>	<u>-</u>	<b><u>1,578,851</u></b>	<b><u>6,703</u></b>



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

For the six months ended 30 June 2016

### 22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

#### Fair value hierarchy (Continued)

	31 December 2015 (HK\$' 000)	Fair value measurement using		
		Quoted prices in active markets Level 1 (HK\$' 000)	Significant observable inputs Level 2 (HK\$' 000)	Significant unobservable inputs Level 3 (HK\$' 000)
Put option over non-controlling interests	6,578	-	-	6,578
Interest-bearing bank borrowings and other borrowings	1,697,618	-	1,697,618	-
	<u>1,704,196</u>	<u>-</u>	<u>1,697,618</u>	<u>6,578</u>

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

	<b>30 June 2016 (HK\$' 000)</b>	31 December 2015 (HK\$' 000)
At 1 January	<b>6,578</b>	-
Remeasurement recognised in other income and gains	-	(13,164)
Purchases	-	21,943
Exchange realignment	<b>125</b>	(2,201)
	<u><b>6,703</b></u>	<u>6,578</u>

During the period ended 30 June 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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

For the six months ended 30 June 2016

### 23. COMMITMENTS

The Group had the following capital commitments as at 30 June 2016 and 31 December 2015:

	<b>As at 30 June 2016 (HK\$' 000) (Unaudited)</b>	As at 31 December 2015 (HK\$' 000) (Audited)
Contracted, but not provided for in respect of the acquisition of: Property, plant and equipment	<b>4,166</b>	5,665

### 24. RELATED PARTY TRANSACTIONS AND BALANCES

#### (a) Name and relationship

<b>Name of related party</b>	<b>Relationship with the Group</b>
Mr. Song Zhenghuan ("Mr. Song")	Director and one of the ultimate shareholders of the Company
Ms. Fu Jingqiu ("Ms. Fu") Goodbaby Bairuikang Hygienic Products Co., Ltd. ("BRKH")	One of the ultimate shareholders of the Company 50/50 jointly controlled by First Shanghai Hygienic Products Limited and Sure Growth Investments Limited, which is significantly influenced by Mr. Song and Ms. Fu
Goodbaby Group Co., Ltd. ("GGCL")	Significantly influenced by Mr. Song
Goodbaby Group Ping Xiang Co., Ltd. ("GGPX")	Controlled by GGCL
Goodbaby China Holdings Limited ("CAGB")	Significantly influenced by GGCL
Goodbaby China Commercial Co., Ltd. ("GCCL")	Controlled by CAGB
Shanghai Goodbaby Child Products Co., Ltd. ("SGCP")	Controlled by Majestic Sino Limited ("MJSL")

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

For the six months ended 30 June 2016

## 24. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

### (b) Related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the period:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>(HK\$' 000)</b>	(HK\$' 000)
	<b>(Unaudited)</b>	(Unaudited)
Sales of goods to related parties (note (a)) GCCL and its subsidiaries#	<b>418,033</b>	511,837
Purchases of goods from a related party (note (a)) GCCL#	<b>44</b>	175
Rental expense to related parties (note (b)) GGPX#	<b>6,084</b>	6,192
GGCL#	<b>416</b>	443
	<b>6,500</b>	6,635
Expenses paid on behalf of related parties (note (c)) GCCL#	<b>388</b>	439
SGCP#	<b>-</b>	33
	<b>388</b>	472
Expenses paid by a related party on behalf of (note (c)) BRKH#	<b>28</b>	63

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

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

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

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

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

For the six months ended 30 June 2016

### 24. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

#### (c) Outstanding balances with related parties

	<b>As at 30 June 2016 (HK\$' 000) (Unaudited)</b>	As at 31 December 2015 (HK\$' 000) (Audited)
Amounts due from a related party		
GCCL	<b>391,566</b>	303,758

The amounts due from related parties are unsecured, interest-free and repayable within 120 days upon the date of invoice.

#### (d) Compensation of key management personnel of the Group

	<b>Six months ended 30 June</b>	
	<b>2016 (HK\$' 000) (Unaudited)</b>	2015 (HK\$' 000) (Unaudited)
Short term employee benefits	<b>19,485</b>	15,375
Equity-settled share option expense	<b>3,200</b>	2,374
Post-employment benefits	<b>439</b>	122
Total compensation paid to key management personnel	<b>23,124</b>	17,871

### 25. SUBSEQUENT EVENTS

There was no subsequent event between the end of reporting period and the date of this interim condensed consolidated financial statement that would cause material impact on the Group.

### 26. APPROVAL OF THE FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorized for issue by the board of directors on 29 August 2016.



