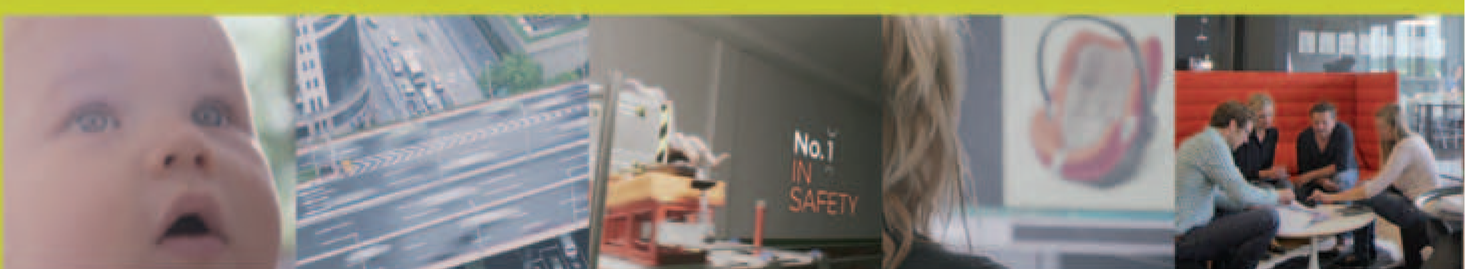
Goodbaby International

Goodbaby International Holdings Ltd.
Stock Code 1086

2015
Annual Report

Goodbaby
International



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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

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

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Certified Public Accountants
22nd Floor
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Hong Kong

LEGAL ADVISOR

As to Hong Kong law

Sidley Austin

PRINCIPAL SHARE REGISTRAR

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(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor
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CORPORATE INFORMATION

REGISTERED OFFICE

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COMPANY SECRETARY

Ms. Ho Siu Pik

AUTHORIZED REPRESENTATIVES

Mr. Song Zhenghuan
Ms. Ho Siu Pik

PRINCIPAL BANKER

Bank of China, Kunshan Branch

WEBSITE

www.gbinternational.com.hk

STOCK CODE

1086


Goodbaby
International
MARIS COT

Chairman’s Statement

CHAIRMAN'S STATEMENT

Dear Shareholder:

2015 was a year of excellent accomplishment for the Group in its global strategies.

We completed the transformation of the Group into brand-driven, one-dragon, vertically integrated business model. We have established a management system for global growth, and optimized the group's operational efficiencies across each key region. Our market position has been enhanced and we have achieved good initial operating results through the implementation of strategies by our experienced intercultural team.

Restructuring of our business model was successfully accomplished.

Following two mergers and acquisitions completed in 2014, we have successfully restructured our business model in 2015, for global distribution of our brands. At the core of our strategy is the growth of the brands we own; Cybex, gb, Evenflo and Rollplay and our collaboration with a focused group of blue chip customers[1], and retailers which are strategically synergistic with us and geographically complementary to each other. Our strategies won recognition in Europe, America and China from our customers, retailers and blue-chip partners, and we have transformed from OPM[2] to a brand driven business successfully.

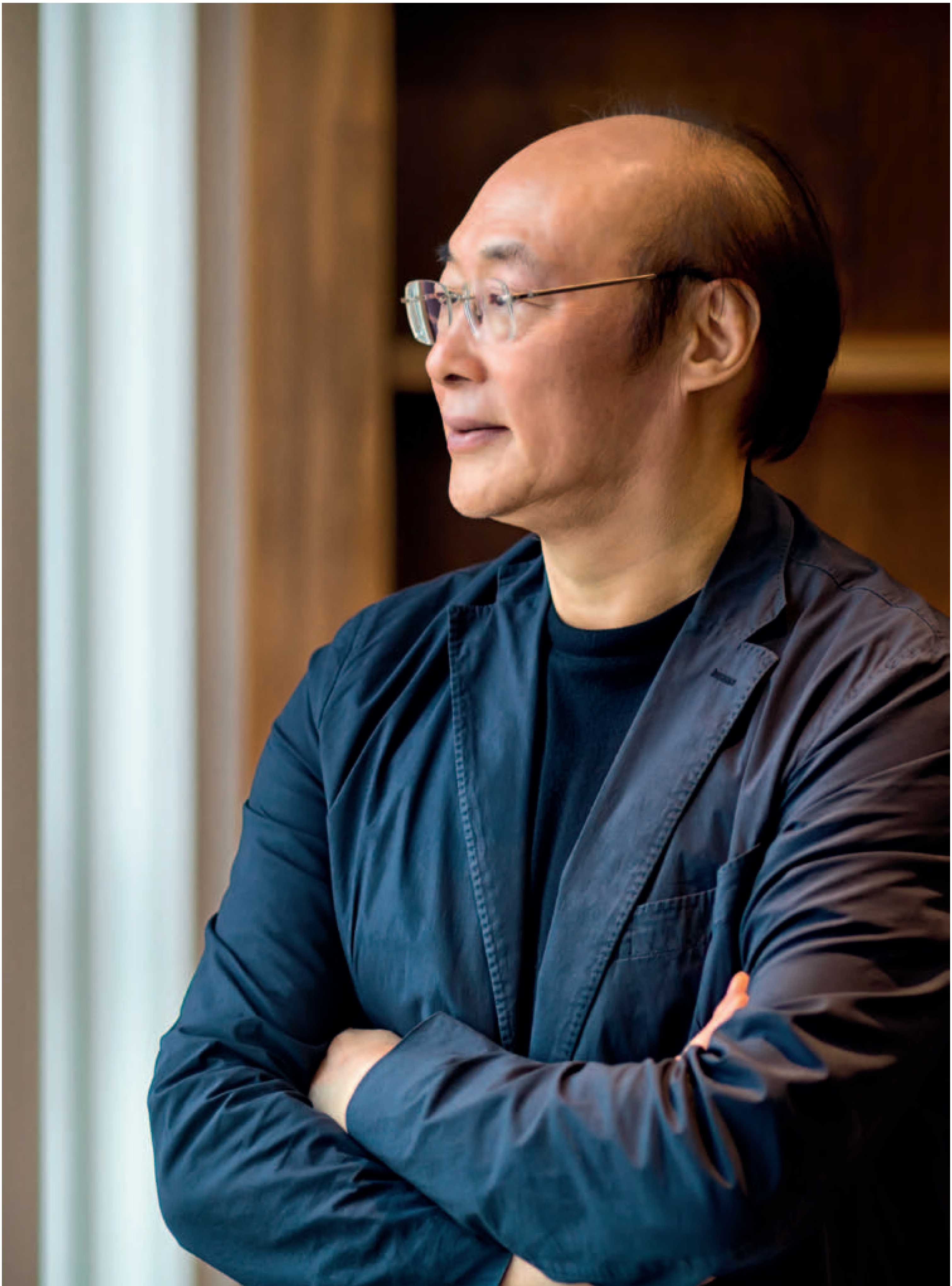
We have established a management system for global growth.

Through consolidating and restructuring our global resources and utilizing our unique strengths and capabilities, the Group has formed an operational management system supported by the five main functions of brand operations, group technical services, supply chain management, international and national distribution, and general strategy and services. We have talented and experienced local management in the three key regions of Americas, EMEA(Europe, Middle East and Africa) and the Asia Pacific, delivering a globalized operating platform which is local tailored implementing our global brand strategy characterized by a one-dragon, vertically integrated business model creating a global platform for sustainable growth reinforcing our leading position in the industry worldwide.

We have quickly seen synergies through our consolidation with fruitful results.

Through the one-dragon, vertically integrated business model, synergies among internal organizations have been increasingly optimized. Efficiency has been improved with significantly lower operating costs, and quicker response to market requirements delighting our customers. Cybex has realized an increase of 88 % in sales in terms of its functional currency, and grown successfully from a leading brand of infant car seats to now being a leading brand in strollers. Evenflo has recorded 16% in growth in terms of its functional currency and turned from a loss to a profit ahead of schedule. gb has reinvented its brand image

1. Blue-Chip Customer refers to the Group's customer to whom the sales are made under third parties' brands excluding Private Label.
2. OPM refers to Original Product Manufacture.



CHAIRMAN'S STATEMENT

to global acclaim and gb products have entered premium positioned retail channels in Europe and America. The Group's Industry Leading product innovations, and research and development have generated exceptional results. The Group continues to lead the way in technology, lifestyle and fashion trends. We are very proud that we have again led the way in Child safety by designing the GBES aerospace energy absorbing car seat.

The Guinness World record award winning gb POCKIT stroller has the smallest folded size in the world. After a video of the POCKIT folding was seen over 12M times in a three week period on social media, the stroller has become an instant global sales success. It has also won the Gold Prize for patent awards in China, the Gold Prize of IF Award and the Red Dot Award in Germany. Evenflo has launched the award winning sensor safe technology in car seats to alert parents if they leave young children unattended in a vehicle in an infant car seat, and won the Best Innovative Product Award from the Baby and Infant Association in United States and the Best Technology Award at the International Consumer Electronics Exhibition. The Cybex Priam stroller collaboration with the famous international fashion icon Jeremy Scott has been launched to worldwide acclaim in fashion media and become an instant hit with celebrities. The gb anti-haze strollers have resolved the climatic problems relating to PM2.5 particulates and pollens, and are applauded by the markets.

Innovative and entrepreneurial team culture has been prominently enhanced within the Group.

The team culture of unceasing innovations and entrepreneurial spirit built up in the Group over the past 27 years is a constant source of motivation to drive business development. We are pleased that the team culture has been further enhanced and optimized after more than 12,000 employees from 34 countries on the three continents of Europe, America and Asia are working closer together than ever before. The Group has appointed Martin Pos, the founder of Cybex, as our new CEO, and completed restructuring the organization ahead of schedule. We have deployed our human resources with advantages so that a trans-continental and cross-cultural team of talent and experienced leaders, with creative imagination and dedication are gathered together to drive the vision of "Globalization, Fans Economy, Eco-system and Consolidation".

CHAIRMAN'S STATEMENT

We would like to extend our gratitude to all shareholders for your confidence in, and caring kindness for us. On behalf of all the employees and colleagues of the Group, we are dedicated to step forward boldly in our missions and create higher value for shareholders, employees and customers. We look forward to having your strong and persistent support.

Yours sincerely,

Song Zhenghuan
Chairman
29 March 2016


Goodbaby
International

Management Discussion & Analysis

MANAGEMENT DISCUSSION & ANALYSIS

DELIVERING SUSTAINABLE GROWTH

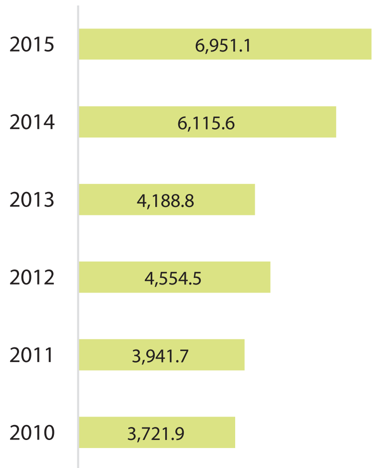
In 2015, we completed the transformation of the Group into brand-driven, one-dragon, vertically integrated business model, successfully operating across all key brands and all key regions. In 2015, we have reorganised our business, putting the changing needs of our customers and consumers first as we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

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

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

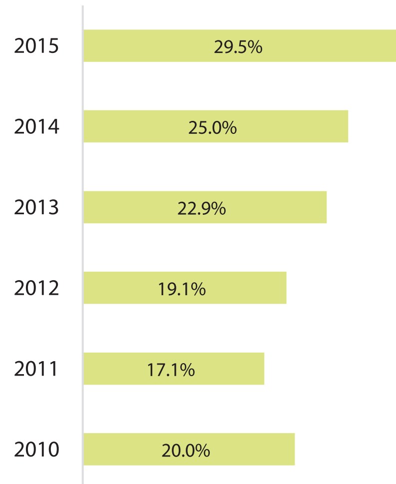
Our gross margin improved to approximately 29.5% as we refocused and implemented our transformation to a brand-driven business. Our operating profit improved to approximately HK$317.6 million, representing a growth of approximately 119.3% over 2014. We have improved our operating profit despite investing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

Revenue Since IPO



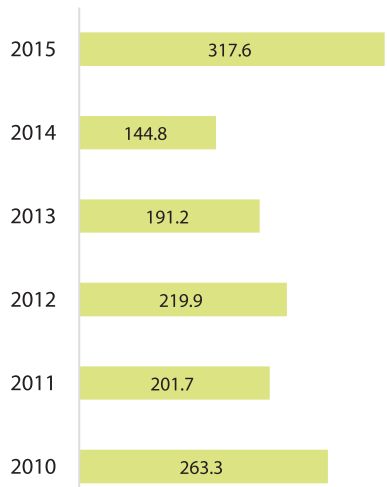
- **The compound annual growth rate of Revenue from 2010 to 2015 was 13.3%**

GM % Since IPO



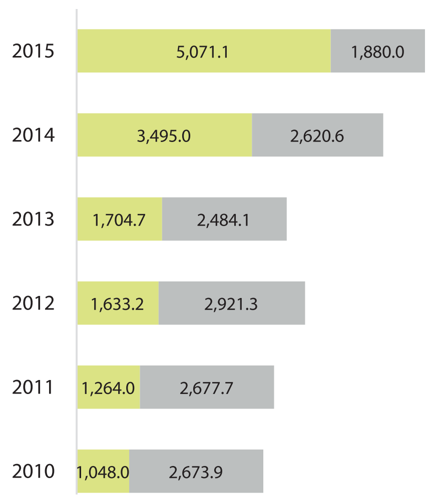
- **Gross margin improved steadily despite the impact from the increase in raw materials price, the appreciation of Renminbi and the rising labor costs before 2015 and weak Euro in 2015.**

Operating Profit Since IPO



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

Own Brand/Blue Chip and Private Label[3] Share since IPO



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

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

MANAGEMENT DISCUSSION & ANALYSIS

A company of Leading Brands

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

Cybex brand

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

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

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

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

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

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

Evenflo Brand

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

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

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

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

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

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

gb brand

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

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

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

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

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

Globally Aware-locally focused

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

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

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

Consolidating our Blue Chip Customers

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

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

More Innovation

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

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

Better Execution through Synergies

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

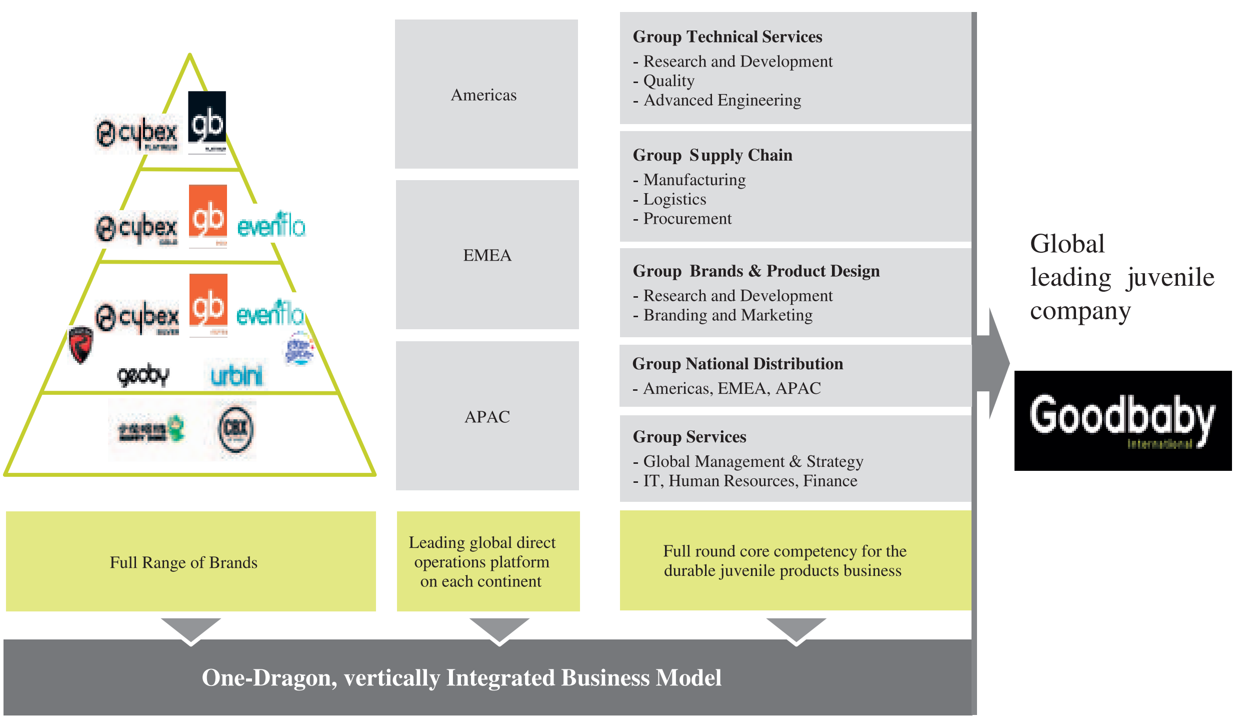
We have established a group procurement function to drive efficiencies across the Group in our vendor management, and deliver global sourcing opportunities.

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

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

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

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



MANAGEMENT DISCUSSION & ANALYSIS

Strong Leadership

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

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

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

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

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

More Opportunities Ahead

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

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

Revenue

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

Revenue by business format

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

	For the year ended 31 December				**Growth analysis**
	2015		2014		**2015 vs 2014**
	Sales (HK$ million)	**Total % of sales**	Sales (HK$ million)	Total % of sales	**Growth**
Our own brand	**5,071.1**	**73.0**	3,495.0	57.2	45.1%
Retailer's private label	**143.7**	**2.0**	142.7	2.3	0.7%
Blue Chip Business[4]	**1,736.3**	**25.0**	2,477.9	40.5	-29.9%
Total:	**6,951.1**	**100.0**	6,115.6	100.0	13.7%

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

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

MANAGEMENT DISCUSSION & ANALYSIS

Revenue by Geographical Region

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

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

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

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

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

Revenue by Products

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

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

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

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

Cost of Sales, Gross Profit and Gross Profit Margin

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

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

Other Income and gains

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

Selling and Distribution Costs

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

Administrative Expenses

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

Other Expenses

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

Operating Profit

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

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

Finance Income

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

MANAGEMENT DISCUSSION & ANALYSIS

Finance Costs

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

Profit Before Tax

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

Income Tax Expenses

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

Profit for the Year

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

Working Capital and Financial Resources

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

Notes:

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

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

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

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

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

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

Liquidity and Financial Resources

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

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

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

Contingent Liabilities

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

Exchange Rate Fluctuations

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

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

Pledge of Assets

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

Gearing Ratio

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

KEY RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels. The Group recognises that operational risks cannot be eliminated completely and that it may not always be cost effective to do so.

Key functions in the Group are guided by their operating procedures, limits of authority and reporting framework. The Group will identify and assess key operational exposures from time to time and report such risk issues to senior management as early as possible so that appropriate risk response can be taken.

Industrial Risk

The durable juvenile products market is highly fragmented and competitive worldwide. The Group faces competition primarily from third-party local durable juvenile product brand owners in the mass market and owners of international brands in the mid- to high-end market. Meanwhile, the Group's branded products compete for sales against international brand owners who might also be its customers. The Group may not be able to compete effectively against its competitors, maintain its market share and profit margins. Failure to maintain the Group's competitive position may materially adversely affect our business, financial condition, results of operations and prospects. Furthermore, change of the overall market condition including but not limited to overall economic condition and applicable regulations may also materially adversely impact the Group's sales, cost, expenses and profitability.

Financial Risk

In the course of business activities, the Group is exposed to a variety of financial risks, including but not limited to market, liquidity and credit risks. The currency environment, interest rates cycles and mark to market value of investment securities may pose significant risks to the Group's financial condition, results of operations and businesses.

Market risk is the risk that the Group's earnings and capital or its ability to meet its business objectives will be adversely affected by movement in foreign exchange rates, interest rates and equity prices, in particular any depreciation in the Group's functional currency may affect the Group's gross profit margin and that the Group has transactional currency exposure which arises from sales or purchases by operating units in currencies other than the units' functional currency. The Group closely monitors the relative foreign exchange positions of its assets and liabilities and allocates accordingly to minimise foreign currency risk.

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an ability to obtain adequate funding or liquidate assets. In managing liquidity risk, the Group monitors cash flows and maintains an adequate level of cash and credit facilities to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

Credit risk is the risk of losses arising from a counterparty defaulting on an obligation which will result in an economic loss to the Group. It arises from manufacturing and sales businesses and other activities undertaken by the Group. The Group's exposure to credit risk for its businesses arises primarily from its customers. New customers are subject to credit evaluation while the Group continues to monitor its existing customers, especially those with repayment issues. Adequate credit insurance are in place to mitigate default impacts. The bank balances are deposited with creditworthy banks with no recent history of default.

Manpower and Retention Risk

The competition for talents in the countries that the Group operates leads to the risk that the Group is not being able to attract and retain key personnel and talents with appropriate and required skills, experience and competence which would meet the business objectives of the Group. The Group will continue to evaluate our remuneration system and policy from time to time and target to provide attractive remuneration package to attract, retain and motivate suitable candidates and personnel.

Business Risk

The Group's businesses may be affected by various business risks, including but not limited to the Group's ability to gauge and respond promptly to changing consumer demands and tastes for the Group's product lines to cope with the intensified competition within the industry. Any failure to successfully translate market trends into attractive product offerings would have a material adverse effect in the Group's business, financial condition, results of operations and prospects.

In addition, the Group's business also depends on its ability to make improvements to its existing products as well as to create new products for commercialization. Failure to introduce new designs and products or making innovations to the Group's existing products may unable the Group to distinguish itself from other competitors.

Further, the Group's business is also subject to reputation risk, product quality issue, significant change in customer relationship, failure in the Group's manufacturing process and production capacity and any material unfavorable changes in our outsourcing cooperation with third-party manufacturers.

Directors & Senior Management


Goodbaby
International

DIRECTORS

Executive Directors

SONG Zhenghuan (宋鄭還), aged 67, is the chairman and executive director of the Company. Mr. Song resigned as the chief executive officer of the Company on 15 January 2016. With more than 26 years of experience in the juvenile products industry, Mr. Song is the founder and primarily responsible for our group's overall strategic direction and the management of the Group's business. Mr. Song majored in mathematics and graduated from Jiangsu Teachers University (江蘇師範學院) in 1981 with a certificate of graduation. Prior to establishing the Company, Mr. Song was a teacher in Lujia Middle School in Kunshan City from 1973 to 1984 and was the Vice Principal from 1984 to 1993. Between 1989 and 1993, Mr. Song was also in charge of a factory run by Lujia Middle School, the predecessor of Goodbaby Group Co., Ltd., which is a major founding shareholder of our Group. In 1989, Mr. Song invented the first "push and rock" stroller and subsequently founded our Group to engage in the design, manufacture and marketing of strollers under the 好孩子 Goodbaby brand in China. Because of Mr. Song's outstanding achievements, he was awarded the Ernst & Young Entrepreneur of the Year Award (安永企業家獎) for the Greater China region in 2007. In 2008, Mr. Song was awarded the "Chinese Toy Industry's Outstanding Achievement Award" (中國玩具行業傑出成就獎) by the China Toy Association. In 2013, Mr. Song was selected as winner of Walter L. Hurd Executive Medal 2013 by the Walter L. Hurd Fo.

Mr. Song is currently a director of the following companies in the Group:

(i) Goodbaby Child Products Co., Ltd. (好孩子兒童用品有限公司);

(ii) Ningbo Goodbaby Child Products Co., Ltd. (寧波好孩子兒童用品有限公司);

(iii) Paragon Child Products Co., Ltd. (昆山百瑞康兒童用品有限公司);

(iv) Jiangsu EQO Testing Services Co., Ltd. (江蘇億科檢測技術服務有限公司);

(v) Cybex (China) Child Products Co., Ltd. (昆山賽栢克斯兒童用品有限公司);

(vi) Goodbaby Child Products Hanchuan Co., Ltd. (好孩子兒童用品漢川有限公司);

(vii) Goodbaby Children's Products, Inc. (formerly known as Aria Child, Inc.);

(viii) Goodbaby (Hong Kong) Limited;

(ix) Goodbaby Japan Co., Ltd.;

(x) Magellan Holding GmbH;

(xi) Goodbaby US Holdings, Inc.;

(xii) Serena Merger Co., Inc.;

(xiii) WP Evenflo Holdings, Inc.;

(xiv) Evenflo Company, Inc.;

(xv) Evenflo Asia, Inc.

(xvi) Lisco Feeding, Inc.;

(xvii) Lisco Furniture, Inc.;

(xviii) Goodbaby (Europe) Group Limited;

(xix) Evenflo Hong Kong Limited; and

(xx) Pacquita Limited.

Mr. Song is also a director of Pacific United Developments Limited ("PUD"), a substantial shareholder of the Company, and an indirect shareholder of PUD through Cayey Enterprises Limited.

DIRECTORS & SENIOR MANAGEMENT

Mr. Song is also a director of Prefect Horizon Limited, Pinnacle Century Limited, Era Will Limited and 昆山媽媽好網絡技術有限公司 as well as an executive director of Goodbaby China Holdings Limited.

Martin POS, aged 46, is an executive director and chief executive officer of the Company responsible for the Group's strategy implementation and overall management, leading all the Group's business units and functions across each continent, comprising of technical services, supply chain and manufacturing, brand portfolio management, international distribution, national distribution and the Group's central services. Mr. Pos is the founder of the world's leading high-end child car seat brand CYBEX. He is an entrepreneur with over 20 years of industry experience including the development and management of premium lifestyle brands, most notably the global distribution, design and development of premium baby products. Following the merger of CYBEX in early 2014, Mr. Pos was appointed as the executive director of our company in March 2014 primarily responsible for the management of portfolio of global brands for our company. In December 2014, Mr. Pos was appointed as the deputy chief executive officer. In January 2016, Mr. Pos has succeeded Mr. Song as the chief executive officer of our company.

Michael Nan QU (曲南), aged 48, was appointed as an executive director of the Company since 18 March 2014. Since December 2014, Mr. Qu has been primarily responsible for our Blue Chip Customers worldwide, working in a leadership role for the American market. Prior to this, Mr. Qu was our company's vice president, primarily responsible for managing key overseas accounts and strategic overseas resources. Mr. Qu joined us in 1994 and he is one of the founding members of the overseas business of our Group. Mr. Qu studied economics in the Economics School of Peking University from 1986 to 1989. He then went to the United States to study business administration at George Mason University from 1989 to 1992.

Mr. Qu is currently a director of the following companies in the Group:

(i) Goodbaby Children's Products, Inc. (formerly known as Aria Child, Inc.);

(ii) Goodbaby (Hong Kong) Limited;

(iii) Goodbaby US Holdings, Inc.;

(iv) Serena Merger Co., Inc.;

(v) WP Evenflo Holdings, Inc.;

(vi) Evenflo Company, Inc.;

(vii) Evenflo Asia, Inc.;

(xiii) Lisco Feeding, Inc.;

(ix) Lisco Furniture, Inc.;

(x) Columbus Trading – Partners USA Inc.;

(xi) Evenflo Canada Inc.;

(xii) Evenflo Hong Kong Limited; and

(xiii) Muebles Para Ninos De Baja, S.A. De C.V.

Mr. Qu is also an executive vice president of Goodbaby Children's Products, Inc.

DIRECTORS & SENIOR MANAGEMENT

WANG Haiye (王海燁), aged 50, was appointed as an executive director of the Company since 19 August 2010. Mr. Wang is currently responsible for our technology services including Kunshan R&D center, Kunshan testing lab and development of advanced technologies to drive technology innovation across customers and brands. Mr. Wang is a veteran in the industry, with over 23 years of experience in developing and manufacturing durable juvenile products. He joined our group in 1992, initially as a manager for the operations management department to be responsible for establishing and improving the operations management system. In 1999, he was appointed as the vice president and then in March 2011 was appointed as the chief operating officer, responsible for overseeing our group's manufacturing operations, including production, purchasing, quality control and outsourcing. With effect from 12 December 2014, Mr. Wang's role was changed to be responsible for the Group's technology services. He was ceased to be the vice president of the Company at the same time. Mr. Wang graduated from Xiamen University in 1989 with a bachelor's degree in management statistics.

Mr. Wang is currently a director of the following companies in the Group:

(i) Goodbaby Child Products Co., Ltd. (好孩子兒童用品有限公司);

(ii) Paragon Child Products Co., Ltd. (昆山百瑞康兒童用品有限公司);

(iii) Goodbaby Child Products Ping Xiang Co., Ltd.* (好孩子兒童用品平鄉有限公司);

(iv) Ningbo Goodbaby Child Products Co., Ltd. (寧波好孩子兒童用品有限公司);

(v) Jiangsu EQO Testing Services Co., Ltd. (江蘇億科檢測技術服務有限公司);

(vi) Goodbaby Child Products Hanchuan Co., Ltd. (好孩子兒童用品漢川有限公司);

(vii) Goodbaby (Hong Kong) Limited;

(viii) Goodbaby Children's Products Inc. (formerly known as Aria Child, Inc.); and

(ix) Goodbaby Japan Co., Ltd.

Mr. Wang is also a director of PUD, a substantial shareholder of the Company, and an indirect shareholder of PUD through Powergain Global Limited.

Non-Executive Director

HO Kwok Yin, Eric (何國賢), aged 59, was appointed as a non-executive director of the Company on 1 February 2013. Mr. Ho was a founding partner of Sidley Austin's Hong Kong office and remained a partner of the firm until his retirement in 2010. Prior to joining Sidley Austin in 1999, Mr. Ho practised as a partner of Allen & Overy's Hong Kong office and before that as an associate for other major law firms in Hong Kong following his admission as a solicitor of the Supreme Court of England and Wales in 1987, and admission as a solicitor of the High Courts of Hong Kong in 1988. Mr. Ho received a Bachelor of Social Science Degree from the Chinese University of Hong Kong in 1980.

Mr. Ho's appointment as a consultant of Kaisa Group Holdings Ltd. (Stock code: 1638), a company listed on the Stock Exchange, has been terminated on 30 March 2015.

Independent Non-Executive Directors

Iain Ferguson BRUCE, aged 75, was appointed as an independent non-executive director of the Company on 5 November 2010. Mr. Bruce joined KPMG in Hong Kong in 1964 and was elected to its partnership in 1971. He was the senior partner of KPMG from 1991 until his retirement in 1996, and served as chairman for KPMG Asia Pacific from 1993 to 1997. He has been a member of the Institute of Chartered Accountants of Scotland since 1964 and is a fellow of the Hong Kong Institute of Certified Public Accountants. He is also a fellow of The Hong Kong Institute of Directors and Hong Kong Securities and Investment Institute. Mr. Bruce was an independent non-executive director of China Medical Technologies, Inc,. a company listed on NASDAQ, up to 3 July 2012. He was also an independent non-executive Director of Vitasoy International Holdings Limited and retired from that company's board on 4 September 2014. He was the Chairman of KCS Limited from June 2003 to 1 August 2015. He resigned as an independent non-executive director of Sands China Ltd., a company listed on the Stock Exchange, on 11 March 2016.

Mr. Bruce is currently a director of the following listed companies:

- independent non-executive director of The 13 Holdings Limited (formerly known as Louis XIII Holdings Ltd.), a company listed on the Stock Exchange;
- independent non-executive director of Tencent Holdings Limited, a company listed on the Stock Exchange;
- independent non-executive director of Wing On Company International Limited, a company listed on the Stock Exchange;
- non-executive director of Noble Group Limited, a company listed on The Singapore Exchange Securities Trading Limited; and
- non-executive director of Yingli Green Energy Holding Company Limited, a company listed on the New York Stock Exchange.

Mr. Bruce is an independent non-executive director of Citibank (Hong Kong) Limited and MSIG Insurance (Hong Kong) Limited. Mr. Bruce has over 50 years of experience in the accounting profession and possesses the accounting and related financial management expertise required under rule 3.10(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

DIRECTORS & SENIOR MANAGEMENT

SHI Xiaoguang (石曉光), aged 69, was appointed as an independent non-executive director of the Company on 5 November 2010. Mr. Shi is the consultant of China Toy & Juvenile Products Association since 26 March 2015. In January 2012, Mr. Shi became the member of the Governance Board of the ICTI CARE Foundation. Mr. Shi was formerly the chairman of China Toy & Juvenile Products Association (中國玩具和嬰童用品協會) (formerly known as the China Toy Association (中國玩具協會)) and a director of the International Council of Toy Industries since 2005. In October 2000, Mr. Shi was appointed as the vice-chairman of the National Technical Committee of Standardization for Toys by the General Administration of Quality Supervision Inspection and Quarantine. China Toy & Juvenile Products Association routinely provides information and holds training seminars on toy safety, product design and market development. The responsibilities of China Toy & Juvenile Products Association include recommending the safety standards and/or regulations of durable juvenile products to recommend the Group designs and manufactures to recommending the safety standards and/or regulations of other general toys and related products in the industry. Mr. Shi graduated from Beijing University of Chemical Technology (北京化工大學) (formerly known as Beijing College of Chemical Technology (北京化工學院)) with a Bachelor's degree in chemical apparatus and engineering in July 1974. Mr. Shi served as the vice-chairman of the department of general administration of The Ministry of Science and Technology from 1985 to 1987. He became a certified engineer in the PRC in September 1987, as granted by the State Scientific and Technological Commission (國家科學技術委員會). From November 1987 to November 1990, he served as the deputy general of China National Scientific Instruments and Materials Corporation (中國科學器材公司). Mr. Shi was appointed as the chairman of the service centre of The Ministry of Light Industry in 1989. From 1993 to 2007, he served as the general manager of China National Arts & Crafts (Group) Corporation (中國工藝美術集團公司) (formerly known as China National Arts & Crafts Corporation (中國工藝美術總公司)).

CHIANG Yun, Rachel (張昀), aged 48, was re-designated as an independent non-executive director of the Company with effect from 23 May 2014. Ms Chiang was a non-executive director of the Company for the period from 15 November 2007 to 22 May 2014 and a director of the Company for the period from 14 July 2000 to 14 November 2007. Ms. Chiang has over 21 years of private equity investment experience in Asia. She is a founding managing partner of Pacific Alliance Equity Partners Limited and ARC Capital Partners Limited, the private equity division of Pacific Alliance Group. Prior to the founding of Pacific Alliance Equity Partners Limited and ARC Capital Partners Limited, Ms. Chiang was a vice president of AIG Global Investment. Ms. Chiang is an independent non-executive director of Sands China Ltd and Pacific Century Premium Developments Limited, both companies are listed on the Stock Exchange. Ms. Chiang is also a managing partner of PAG Asia Capital (HK) Ltd. since June 2011. Ms. Chiang received her degree of executive master of business administration from The Kellogg Graduate School of Management of North-western University in the U.S. and Hong Kong University of Science and Technology in 1999. Ms Chiang also received her Bachelor of Science degree, cum laude, from Virginia Polytechnic Institute and State University in the U.S. in 1992.

Save as otherwise disclosed, there is no relationship between any members of the Board, and no information relating to the Directors which is required to be disclosed pursuant to Rules 13.51(2) and 13.51(B) (1) of the Listing Rules.

SENIOR MANAGEMENT

LIU Tongyou (劉同友), aged 48, is our chief financial officer responsible for finance, legality, mergers and acquisitions, investor relationships and the internal audit. Mr. Liu joined us in 1996 and has over 20 years of experience in corporate finance, legal and business management. Mr. Liu received his bachelor of science in 1989 and graduated from Tianjin University of Finance & Economics with a Master's degree in economics in 1992. Mr. Liu worked for a famous Economist, Jiang Yiwei, as his academic secretary in 1992. He joined the Beijing Standard Consultancy Company in 1993. As its business director, Mr. Liu was responsible for consulting on the restructuring as well as listing consultancy of a number of Chinese enterprises, including Haier Electric Appliance Company and Hainan Airlines Company. Mr. Liu worked as consultant to the Group from 1994 and then joined the Group in 1996. Mr. Liu is a part-time professor of the Tianjin University of Finance & Economics since 2008. Mr. Liu was awarded 'Top 10 CFO of the Year 2010 in China" by the Chief Finance Officer magazine.

Gregory E. Mansker, aged 59, is chairman and chief executive officer for the Northern and Southern American markets and chief executive officer of Evenflo. He is primarily responsible for our business development in the region of America. Mr. Mansker joined us in October 2011 and has over 28 years of experience in international business operations, offshore sourcing and mergers and acquisitions. Mr. Mansker was staff counsel of Graco Children's Products, Inc. from 1981 to 1983 and staff counsel for Ferranti International plc USA divisions from 1983 to 1989. He served as the vice president of the international division and the vice president of global marketing of the Graco Division of Newell Rubbermaid from 1989 to 1998 and from 1998 to 2001 respectively. From 2001 to 2002, Mr. Mansker was a management consultant at CF Capital Group. Mr. Mansker then served as the chief executive officer of Chicco USA, Inc. (division of Artsana S.P.A.) from 2003 to 2009 and the chief executive officer of Iron Mountains LLC. from 2009 to 2011. Mr. Mansker received his bachelors degree in prelaw from the Bob Jones University in 1978 and his juris doctor degree from the Villanova University in 1981. Mr. Mansker was admitted to practice law in the states of Pennsylvania and New York in the United States. He was a board member of the JPMA trade association from 2000 to 2002 and 2005 to 2011, and the board chairman in 2009. He is currently a board member of First Candle, a children's health organisation in the United States.

Timothy Ian MAULE, aged 47, is our chief commercial officer, predominantly in charge of the overall commercial execution of our long-term strategy. Mr. Maule leads the global Group level of our Group's brand portfolio management as well as international sales across APAC, EMEA, and North and South America. Mr. Maule joined us in 2014 bringing over 25 years of experience from the juvenile and toy industry and international retail development. Previously, he was deputy chief executive officer of the leading global brand Mamas & Papas based in the UK with responsibility for the management of the company's retail and wholesale businesses, running both the UK store estate, the e-commerce business, and the brand distribution business. More recently, he led the growth of Mamas & Papas Brand into 59 countries around the world, through franchise stores, international e-commerce, distributors and sales offices building a successful global business. He was an executive board member of the BPA UK trade association from 2011 to 2014.

DIRECTORS & SENIOR MANAGEMENT

TSE Shing Fung (謝承鋒), aged 51, is chief executive officer of our China Market in charge of the development and growth of the whole China market including the development and sales & distribution of the Group brand portfolio in China since December 2015. Prior to this, he was CEO China manufacturing & blue-chip business predominantly in charge of the overall operation execution in our China manufacturing facilities and overall management in our blue-chip business. Mr. Tse joined us in 2014 bringing over 32 years of experience from the juvenile and toy and electronics industry. Mr. Tse was chief executive officer of the U.S. listed company Deswell Industrial Inc. with responsibility for the management of the company's overall sales and operations, includes their plastic injection & tooling factory and EMS & metal factory and he led the company to overcome challenges and difficulties successfully.

Thierry AUBRY, aged 50, is the senior vice president Group Production responsible for the Group's production. Before he joined us in November 2015, he was General Manager of Faurecia Emissions Control Technologies China Division since 2008. He joined Faurecia Exhaust Systems in Wuhan (China) in 1995. Before joining Faurecia, he used to work at Gaz de France in Beijing since 1990. Mr. Aubry holds a degree in Engineering from the Ecole d'Ingénieurs de Tours (France), a postgraduate degree in Finance from the Luoyang Institute of Technology (P.R. China) and a dual EMBA degree from the Marseille Euromed and Shanghai Jiaotong University.

Simone BERGER, aged 37, is the senior vice president of Group Human Resources in charge of our Group's human resources and talent management strategy globally. Mrs. Berger has been an international HR executive for more than 10 years. After working in the USA and Germany at Bayer AG, one of the leading life science companies, she relocated to Asia in 2005. She spent almost 6 years in Shanghai at Schaeffler Group, a globally-known German automotive supplier. There she led the international human resources function for the Asia Pacific Region. In 2010, Mrs. Berger moved with Schaeffler Group to Singapore. Prior to joining CYBEX/Goodbaby in August 2012, she was the Regional Manager Human Resources Asia Pacific at Voith Turbo Singapore, a German multinational corporation in the mechanical engineering sector with worldwide operations.

Phillip RAUM, aged 39, is the senior vice president of Group Marketing predominately in charge of the global brand management and marketing strategies for the Group and its brands. He joined the Group in March 2015. Prior to this, he worked for nine years at medi as the General Manager for the lifestyle division. Mr. Raum was instrumental in building and launching two new global lifestyle brands for medi: CEP, functional sportswear label and ITEM m6, functional fashion legwear and shapewear label. Within this role, Mr. Raum was responsible for the product and commercial strategy of the brands. His key career highlights include establishing and positioning both brands within high-end sports and fashion markets in more than 30 countries worldwide with a priority on the North-American, Central European and Asian markets.

DIRECTORS & SENIOR MANAGEMENT

Raoul BADER, aged 53, is the senior vice president Technologies Brands for the Group leading our global research and development, quality and technical project management for the Group's brands. Dr. Bader has accumulated over 17 years of experience in consumer goods business, with 8 years working at leading MNC's including Braun, Gillette and Procter&Gamble as an R&D manager. Following Braun, Dr. Bader joined Leifheit, a German company that produces household products where he was responsible for the R&D, quality and IT. After four years with Leifheit, Dr. Bader went on to join CYBEX, and has been a key member of CYBEX team for over four years. During this time he has played an instrumental role in establishing the CYBEX brand as a leader in safety and technology. In September 2015, Dr. Bader was appointed as senior vice president of the Group.

COMPANY SECRETARY

HO Siu Pik (何小碧), aged 52, was appointed as the company secretary of our Company on 1 November 2014. Ms. Ho is a director of the Corporate Services Division of Tricor Services Limited. She has over 20 years of experience in the corporate services field and has been providing professional services to certain Hong Kong listed companies. Prior to her employment with Tricor Services Limited, Ms. Ho was a senior manager of PricewaterhouseCoopers in Hong Kong providing company secretarial and compliance services to their clients in Hong Kong and overseas. Ms. Ho is currently the company secretary of Sun Art Retail Group Limited (stock code: 6808), Yashili International Holdings Ltd (stock code: 1230), Natural Beauty Bio-Technology Limited (stock code: 157), China Molybdenum Company Limited (stock code: 3993) and Broad Greenstate International Company Limited (stock code: 1253) and the joint company secretary of China Greenland Rundong Auto Group Limited (stock code: 1365). Ms. Ho is a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She is also a holder of the Practitioner's Endorsement from The Hong Kong Institute of Chartered Secretaries.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Corporate Governance Report

CORPORATE GOVERNANCE REPORT

The board (the "Board") of directors (the "Directors") is pleased to present this corporate governance report in the annual report for the year ended 31 December 2015.

The manner in which the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") are applied and implemented is explained in the following sections of this corporate governance report:

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles as set out in the CG Code and has also put in place certain recommended best practices as set out in the CG Code.

The Board is of the opinion that throughout the year ended 31 December 2015, the Company has complied with all the code provisions and, where appropriate, adopted the recommended best practices set out in the CG Code, save for the deviation from code provision A.2.1 which is explained as follows:-

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

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

Mr. Martin POS, an executive Director and the deputy CEO of the Company, has succeeded Mr. Song as the CEO of the Company with effect from 15 January 2016 and Mr. Song remains as the chairman of the Board and an executive Director of the Company.

The Company is committed to enhancing its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with the CG Code and align with the latest developments.

DIRECTORS' SECURITIES TRANSACTIONS

The Company 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.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2015.

The Company has also established a code of conduct no less exacting than the Model Code (the "Employees Code of Conduct") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Code of Conduct by the employees was noted by the Company.

THE BOARD

BOARD COMPOSITION

The Board currently comprises eight members, consisting of four executive Directors, one non-executive Director and three independent non-executive Directors, as follows:

Executive Directors

Mr. SONG Zhenghuan *(chairman)*
Mr. Martin POS *(CEO since 15 January 2016)*
Mr. Michael Nan QU
Mr. WANG Haiye

Non-executive Director

Mr. HO Kwok Yin, Eric

Independent non-executive Directors

Mr. Iain Ferguson BRUCE
(chairman of audit, nomination and remuneration committees)
Mr. SHI Xiaoguang
(member of audit, nomination and remuneration committees)
Ms. CHIANG Yun
(member of audit, nomination and remuneration committees)

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 30 to 39 of this annual report.

None of the members of the Board is related to one another, save and except that Mr. WANG Haiye, executive Director, is the nephew of Mr. SONG Zhenghuan, the chairman and executive Director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2015, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

CORPORATE GOVERNANCE REPORT

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Directors take decisions objectively in the interests of the Company. The Board has delegated to the CEO, and through him, to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established board committees and has delegated to these board committees various responsibilities as set out in their respective terms of reference.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice of the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors have disclosed to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors keep abreast of responsibilities as Directors of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internal briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2015, all Directors have provided the Company with a record of the training they received on a half yearly basis, and such records were maintained by the Company. The training record of each Director during the year ended 31 December 2015 is set out in the table below:

Name of Directors	Hours of Training in 2015
SONG Zhenghuan	16
Martin POS	16
Michael Nan QU	16
WANG Haiye	16
HO Kwok Yin, Eric	16
Iain Ferguson BRUCE	34.5
SHI Xiaoguang	16
CHIANG Yun	16

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Code provision A.4.1 of the CG Code stipulates that non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the executive Directors has entered into a service contract/signed an appointment letter with the Company and is appointed for a specific term of three years unless terminated by not less than three months' notice in writing served by either the executive Director or the Company.

The non-executive Director and each of the independent non-executive Directors has signed an appointment letter with the Company and is appointed for a specific term of three years.

The appointments of all Directors are subject to the provisions of retirement and rotation of Directors under the Company's articles of association. In accordance with the Company's articles of association, all Directors of the Company are subject to retirement by rotation at least once every three years and any new Director appointed to fill a causal vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment. Any new Director appointed as an addition to the Board shall submit himself/herself for re-election by shareholders at the next following annual general meeting.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's articles of association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

BOARD COMMITTEES

The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

CORPORATE GOVERNANCE REPORT

All members of each Board committee are independent non-executive Directors. A list of the chairman and members of each Board committee is set out under "Corporate Information" on pages 6 to 7 of this annual report.

AUDIT COMMITTEE

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held two meetings on 30 March 2015 and 24 August 2015 to review the annual financial results and report in respect of the year ended 31 December 2014 and interim financial results and report for the six months ended 30 June 2015 as well as significant issues on the financial reporting and compliance procedures, continuing connected transactions, internal control and risk management systems, scope of work and appointment of external auditors, connected transactions and arrangements for employees to raise concerns about possible improprieties.

During the year ended 31 December 2015, the Audit Committee also met the external auditors twice without the presence of the executive Directors.

REMUNERATION COMMITTEE

The primary functions of the Remuneration Committee include determining/reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee held two meetings on 30 March 2015 and 7 October 2015 to review and determine/make recommendation to the Board on the remuneration packages of individual executive Directors and senior management for 2015, grant of share options as well as other related matters.

NOMINATION COMMITTEE

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors. External recruitment professionals might be engaged to carry out recruitment and selection process when necessary.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

The Nomination Committee held a meeting on 30 March 2015 to review the structure, size and composition of the Board, the independence of the independent non-executive Directors, to consider the qualifications of the retiring directors standing for election at the annual general meeting. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties as set out in the Corporate Governance Functions of the Board adopted by the Company including:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with CG Code and disclosure in the corporate governance report in the annual report of the Company.

The Board may delegate the corporate governance duties to a committee of the Board.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy setting out the approach to achieve diversity on the Board at a board meeting held on 23 August 2013. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualification, skills, knowledge and industry and regional experience. The Nomination Committee will discuss and agree on the measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. The Company aims to maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional qualification, skills, knowledge and industry and regional experience. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

BOARD MEETINGS

BOARD PRACTICES AND CONDUCT OF MEETINGS

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Notice of regular Board meetings is served to all Directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

CORPORATE GOVERNANCE REPORT

Where necessary, the senior management attend regular Board meetings and other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The Company's articles of association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2015 is set out in the table below:

	Attendance/Number of Meetings in 2015					
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	Extraordinary General Meeting
SONG Zhenghuan	5/5	N/A	N/A	N/A	1/1	0/1
WANG Haiye	5/5	N/A	N/A	N/A	0/1	0/1
Michael Nan QU	5/5	N/A	N/A	N/A	0/1	0/1
Martin POS	5/5	N/A	N/A	N/A	0/1	0/1
HO Kwok Yin, Eric	5/5	N/A	N/A	N/A	1/1	1/1
Iain Ferguson BRUCE	3/5	2/2	1/2	1/1	1/1	0/1
SHI Xiaoguang	5/5	2/2	2/2	1/1	1/1	0/1
CHIANG Yun	5/5	2/2	2/2	1/1	0/1	1/1

Apart from regular Board meetings, the chairman also held a meeting solely with the non-executive Directors (including independent non-executive Directors) on 30 March 2015.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 74 to 75.

ACCOUNTABILITY AND AUDIT

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2015.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROL

During the year under review, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets and with the support of the Audit Committee, reviewing the effectiveness of such system on an annual basis.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The internal auditor reviews and evaluates the control process, monitors any risk factors on a regular basis, and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

The key elements of the Group's internal control system include the following:

- An organizational structure with clearly defined and distinct lines of authority and control responsibilities
- A comprehensive financial accounting system to provide for performance measurement indicators and to ensure compliance with relevant rules
- Annual plans prepared by senior management on financial reporting, operations and compliance with reference to potential significant risks
- Strict prohibition of unauthorized expenditures and release of confidential information
- Specific approval from executive director / responsible senior executive prior to commitment in all material matters
- Appropriate policy to ensure the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget
- Review and evaluation of the control process and monitoring of any risk factors on a regular basis by the management; and report by the same to the Audit Committee on any findings and measures to address the variances and identified risks.

EXTERNAL AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2015 amounted to HK$8,384,000 and HK$203,000 respectively.

An analysis of the remuneration paid to the external auditors of the Company, Ernst & Young, in respect of audit services and non-audit services for the year ended 31 December 2015 is set out below:

Service Category	**Fees Paid/ Payable**
Audit Services	HK$8,384,000
Non-audit Services	HK$203,000
• Transfer pricing compliance review of PRC entities	HK$143,000
• Preparation and transmission Hong Kong profits tax return service	HK$60,000
	HK$8,587,000

COMPANY SECRETARY

Ms. HO Siu Pik of Tricor Services Limited, external service provider, has been engaged by the Company as its company secretary. Its primary contact person at the Company is Ms. WANG Qi, Group Legal & Compliance Director of the Company.

The company secretary's biography is set out in the section headed "Directors and Senior Management" on pages 30 to 39 of this annual report. During 2015, the company secretary undertook over 15 hours of professional training to update her skills and knowledge.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of senior management of the Group. Details of the remuneration of each of the Directors of the Company for the year ended 31 December 2015 are set out in note 10 to the financial statements.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. The chairman of the Board, non-executive Director, independent non-executive Directors, and the chairmen of all Board committees (or their delegates) will make themselves available at the annual general meeting to meet shareholders and answer their enquiries.

However, due to other commitments, three executive Directors, Mr. WANG Haiye, Mr. Michael Nan QU and Mr. Martin POS, and an independent non-executive Director, Ms. CHIANG Yun, did not attend the annual general meeting held on 22 May 2015. Mr. Wang, Mr. Qu, Mr. Pos, and Ms Chiang will use their best endeavours to attend future general meetings of the Company.

The 2016 annual general meeting ("AGM") of the Company will be held on 26 May 2016. The notice of AGM was sent to the shareholders at least 20 clear business days before the AGM.

To promote effective communication, the Company maintains a website at www.gbinternational.com.hk, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

During the year under review, the Company has not made any changes to its articles of association. An up-to-date version of the Company's articles of association is also available on the Company's website and the Stock Exchange's website.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors.

Except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, all resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules. Poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EGM (INCLUDING MAKING PROPOSAL(S)/MOVING RESOLUTION(S) AT THE EGM)

- Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board of the Company or the company secretary of the Company (the "Company Secretary"), to require an Extraordinary General Meeting (the "**EGM**") to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

- Eligible Shareholders who wish to convene an EGM for the purpose of making proposal(s) or moving resolution(s) at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned at the principal place of business of the Company in Hong Kong at Room 2001, 20th Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for the attention of the Company Secretary.
- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted in the EGM, signed by the Eligible Shareholder(s) concerned.
- The Company will check the Requisition and the identity(ies) and the shareholding(s) of the Eligible Shareholder(s) will be verified with the Company's branch share registrar in Hong Kong. If the Requisition is found to be proper and in order, the Board will be asked to convene an EGM within 2 months and/or include the proposal(s) or the resolution(s) proposed by the Eligible Shareholder(s) at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM and/or include the proposal(s) or the resolution(s) proposed by the Eligible Shareholder(s) at the EGM.
- The notice period to be given to all the registered shareholders for consideration of the proposal raised by the Eligible Shareholder(s) concerned at an EGM varies according to the nature of the proposal, as follows:
  - — at least twenty-one (21) clear days' notice in writing if the proposal constitutes a special resolution of the Company, which cannot be amended other than to a mere clerical amendment to correct a patent error; and
  - — at least fourteen (14) clear days' notice in writing if the proposal constitutes an ordinary resolution of the Company.

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

Shareholders may propose a person for election as Director, the procedures for which are available on the Company's website in the section of "Corporate Governance" under the column of "Investor Relations".

PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board of the Company, shareholders may send their enquiries and concerns to the Board by addressing them to the Head of Legal and Compliance Department to the Company's principal place of business in Hong Kong at Room 2001, 20th Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong by post, or by email to enq_to_board@gbinternational.com.hk.

For the avoidance of doubt, shareholder(s) must deposit/send the original duly signed written enquiries or concerns (as the case may be) to the Company's aforesaid address and provide his/her/their full name(s) and contact details in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Note: The Company will not normally deal with verbal or anonymous enquiries.

Report of the Board of Directors


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REPORT OF THE BOARD OF DIRECTORS

The Board are pleased to present their report and the audited financial statements for the year ended 31 December 2015 of the Group.

MAJOR BUSINESS

The Company is an investment holding company, and its subsidiaries are principally engaged in the design, research and development, manufacture, marketing and sale of strollers, children's car safety seats, cribs, bicycles and tricycles, and other durable juvenile products. The analysis of the revenue of the Group for the year is set out in note 6 to the Financial Statements.

BUSINESS REVIEW AND PERFORMANCE

A review of the business of the Group and a discussion and analysis of the Group's performance during the year under review and a discussion on the Group's future business development and outlook of the Company's business, possible risks and uncertainties that the Group may be facing and important events affecting the Company occurred during the year ended 31 December 2015 are provided in the section headed "Chairman's Statement" on pages 9 to 13 and the section headed "Management Discussion and Analysis" on pages 15 to 29 of this annual report. An account of the Company's relationships with its key stakeholders is included in the paragraph headed "Relationships with Employees, Suppliers and Customers" of this section.

An analysis of the Group's performance during the year ended 31 December 2015 using financial performance indicators is provided in the section headed "Management Discussion and Analysis" on pages 15 to 29 of this annual report.

In addition, more details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Company are provided in the paragraph headed "Environmental, Social and Governance" in this section.

FINANCIAL STATEMENTS

The results of the Group for the year are set out in the Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income on page 76 and page 77 respectively. The financial position as at 31 December 2015 of the Group are set out in the Consolidated Statement of Financial Position on pages 78 to 79. The cash flow of the Group during the year is set out in the Consolidated Statement of Cash Flows on pages 81 to 82.

SHARE CAPITAL

The changes in share capital of the Group during the year are set out in note 33 to the Financial Statements.

FINAL DIVIDEND

At the Board meeting held on 29 March 2016, it was proposed that a final dividend of HK$0.05 per ordinary share representing a total distribution of approximately HK$55.430 million be paid on 16 June 2016 to shareholders of the Company whose name appear on the Company's register of members on 3 June 2016. The proposed final dividend is subject to approval by the shareholders at the annual general meeting of the Company to be held on 26 May 2016.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of ascertaining the members' eligibility to attend and vote at the annual general meeting and determining the members' entitlement to the proposed final dividend for the year ended 31 December 2015, the Company's register of members will be closed during the following periods respectively:

(A) For ascertaining eligibility to attend and vote at the annual general meeting:

• Latest time to lodge transfers documents for registration	4:30 p.m. on 23 May 2016 (Monday)
• Closure of register of members	24 May 2016 (Tuesday) to 26 May 2016 (Thursday) (both days inclusive)

(B) For ascertaining entitlement to the proposed final dividend:

• Latest time to lodge transfers documents for registration	4:30 p.m. on 31 May 2016 (Tuesday)
• Closure of register of members	1 June 2016 (Wednesday) to 3 June (Friday) (both days inclusive)
• Record date	3 June 2016 (Friday)

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

RESERVE

Details of the changes in reserve of the Group during the year are set out in note 35 to the Financial Statements.

As at 31 December 2015, the reserves of the Company available for distribution to shareholders was approximately HK$1,208.1 million.

PROPERTY, PLANT AND EQUIPMENT

The changes in property, plant and equipment during the year are set out in note 15 to the Financial Statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the percentage of purchases attributable to the Group's five largest suppliers combined was less than 12.5% of the Group's total purchase. The percentages of sales for the year attributable to the Group's major customers are as follows:

– the largest customer	12.1%
– five largest customers in aggregate	36.5%

Save as disclosed herein, as far as the Company is aware, none of the Directors nor his/her connected persons and none of the shareholders possessing over 5% of the interest in the capital of the Company possessed any interest in the above-mentioned suppliers and customers. Goodbaby China Commercial Co., Ltd.* (好孩子(中國)商貿有限公司), one of the Group's major customers, is an indirect subsidiary of our controlling shareholders.

* For identification only

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group understands that employees are valuable assets. The Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

The Group's business is built on a customer-oriented culture, and are focused on establishing relationships with retailers, brand owners and distributors globally. The Group also understands that it is important to maintain good relationship with its suppliers and customers to fulfil its immediate and long-term goals. To maintain its market competitiveness within the industry, the Group aims at delivering constantly high standards of quality in the service to its customers. During the year under review, there was no material and significant dispute between the Group and its suppliers and/or customers.

DONATION

During the year under review, the charitable contributions and other donations made in Hong Kong and China totalled HK$155,000.

DIRECTORS

The Directors in office during the year and as at the date of this report were as follows:

Executive Directors

SONG Zhenghuan
Martin POS
Michael Nan QU
WANG Haiye

Non-executive Director

HO Kwok Yin, Eric

Independent non-executive Directors

Iain Ferguson BRUCE
SHI Xiaoguang
CHIANG Yun

Further details of the Directors and senior management are set forth in the section "Directors and Senior Management" of this annual report.

In accordance with the articles of association of the Company, Mr. SONG Zhenghuan, Mr. SHI Xiaoguang and Mr. Michael Nan QU will retire in the forthcoming annual general meeting, and being eligible, have offered themselves to be re-elected and re-appointed at the forthcoming annual general meeting.

SERVICE CONTRACTS OF DIRECTORS

Each of the executive Directors has entered into a service contract/signed an appointment letter with the Company and is appointed for a specific term of three years unless terminated by not less than three months' notice in writing served by either the executive Director or the Company.

Each of the non-executive Director and the independent non-executive Directors has signed an appointment letter with the Company and is appointed for a specific term of three years with effect from the respective date stated therein.

There was no service contract entered into/appointment letter signed by the Company and any Directors to be re-elected in the forthcoming annual general meeting which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Other than those transactions disclosed in note 38 to the Financial Statements and in the section "Connected transactions" below, there was no other contracts of significance with any member of the Group as the contracting party and in which the Directors possessed direct or indirect substantial interests, and which was still valid on the year end date or any time during the year and related to the business of the Group.

DIRECTORS' INTERESTS IN COMPETITIVE BUSINESS

During the year, save as disclosed below, none of the Directors is considered to have interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

On 9 November 2010, each of CRF Enterprise Limited, Pacific United Developments Limited, CRF Investment Limited, Arc Capital Holdings Limited, Mr. SONG Zhenghuan, Ms. FU Jingqiu, Mr. WANG Haiye, Mr. Christopher Marcus GRADEL, and Ms. CHIANG Yun (collectively, the "Covenantors") entered into a deed of non-competition (the "Deed of Non-Competition") with the Company pursuant to which each of the Covenantors has separately undertaken to the Company that she/he/it shall not and will procure that her/his/its associates shall not, among other matters, directly or indirectly engage, participate, or hold any right or interest in, or otherwise be involved in any business which is or may be in competition with the businesses of the Company and its subsidiaries (in existence from time to time). Details of the Deed of Non-Competition were disclosed in the Company's prospectus for global offering dated 11 November 2010 (the "Prospectus") under the section headed "Relationship with Our Controlling Shareholders".

As at the date of this annual report, CRF Enterprises Limited, Pacific United Developments Limited, CRF Investments Limited and Arc Capital Holdings Limited held, together directly and indirectly, less than 30% of the issued share capital of the Company and therefore the undertakings of these four entities and Ms. FU Jingqiu under the Deed of non-Competition ceased to have any effect.

Each of Mr. SONG Zhenghuan, Ms. CHIANG Yun and Mr. WANG Haiye has provided an annual declaration on his/her compliance with the undertakings contained in the Deed of Non Competition undertaken by them. The independent non-executive Directors have reviewed and were satisfied that each of Mr. Song, Ms. Chiang and Mr. Wang has complied with the Deed of Non-Competition for the year ended 31 December 2015.

SHARE OPTION SCHEME

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.

REPORT OF THE BOARD OF DIRECTORS

During the year under review and on 7 October 2015, 25,850,000 share options were granted under the Share Option Scheme. Up to 31 December 2015, 10,691,500 share options had lapsed and 3,087,000 share options had been exercised. As at 31 December 2015, 87,928,500 share options were outstanding. Movements of the share options granted during the year ended 31 December 2015 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	22,437,000	0	0	0	671,500	3,087,000	18,678,500	3 January 2012	(i) 384,000 share options: 3 January 2014 to 2 January 2018 (ii) 4,020,350 share options: 3 January 2015 to 2 January 2018 (iii) 7,060,350 share options: 3 January 2016 to 2 January 2018 (iv) 7,213,800 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)	53,420,000	0	0	0	10,020,000	0	43,400,000	29 September 2014	(i) 11,160,000 share options: 29 September 2017 to 28 September 2024 (ii) 19,080,000 share options: 29 September 2018 to 28 September 2024 (iii) 13,160,000 share options: 29 September 2019 to 28 September 2024	3.58	3.58

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$)	Closing price of the shares immediately before the date of grant (HK$)
Eligible participants	0	25,850,000	0	0	0	0	25,850,000	7 October 2015	(i) one third of the share options: 8,616,666 7 October 2018 to 6 October 2025 (ii) another one third of the share options: 8,616,667 7 October 2019 to 6 October 2025 (iii) the remaining one third of the share options: 8,616,667 7 October 2020 to 6 October 2025	3.75	3.75

Save as disclosed herein, 25,850,000 were granted under the Share Option Scheme or any share option scheme of the Group as at 31 December 2015. The Company estimates the fair value of options granted using binomial tree model. The weighted average fair value of options granted during the year ended 31 December 2015, measured as at the date of grant, was approximately HK$3.58.

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:

Dividends yield (%)	1.28
Spot stock price (HK$ per share)	3.75
Historical volatility (%)	37.78
Risk-free interest rate (%)	1.6
Expected life of option (year)	10
Weighted average share price (HK$ per share)	3.68

REPORT OF THE BOARD OF DIRECTORS

As at 31 December 2015, the total number of shares available for issue under the Share Option Scheme was 87,928,500 shares, which represented 7.93% of the shares in issue as at the date of this annual report.

The options issued pursuant to the Share Option Scheme will expire no later than 10 years from the date of grant of the option.

For any options granted to Directors, chief executives or substantial shareholders of the Company, or any of their respective associate, options to be granted to any of these persons shall be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of options). Where any option granted to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the shares issued or to be issued upon exercise of all options already granted and to be granted to such person in the 12 month period, (i) representing in aggregate over 0.1% of the shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the shares, in excess of HK$5 million, such grant of options shall be subject to prior approval by resolutions of the shareholders (voting by way of poll).

The number of shares issued and to be issued in respect of options granted and may be granted to any individual in any 12-month period is not permitted to exceed 1% of the total shares of the Company in issue, without prior approval from the shareholders of the Company and with such participants and his associates abstaining from voting.

The amount payable on acceptance of an option is HK$1.00, which will be payable on or before a prescribed acceptance date. In relation to any options granted under the Share Option Scheme, the exercise price is determined by the Directors, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

The Share Option Scheme does not contain any minimum period for which an option must be held before it can be exercised. However, at the time of granting of the options, the Board may specify any such minimum period.

Unless otherwise terminated by the Board or the shareholders in general meeting in accordance with the terms of the Share Option Scheme, the Scheme shall be valid and effective for a period of 10 years from the date of its adoption which was 5 November 2010, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted prior to the expiry of the 10-year period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding companies or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate.

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

As at 31 December 2015, 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 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 (Note 2)	Beneficiary of a trust/ Beneficial owner	260,390,000 (L)	23.48%
Mr. Wang Haiye	Beneficial owner	2,400,000 (L)	0.21%
Mr. Martin Pos	Beneficial owner	53,512,000 (L)	4.82%
Mr. Michael Nan Qu	Beneficial owner	2,400,000 (L)	0.21%
Mr. Ho Kwok Yin, Eric	Beneficial owner	1,000,000 (L)	0.09%
Mr. Iain Ferguson Bruce	Beneficial owner	800,000 (L)	0.07%
Mr. Shi Xiaoguang	Beneficial owner	800,000 (L)	0.07%
Ms. Chiang Yun	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) 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 in respect of the Share Options of the Company granted to him/her, details are as follows:

Name of Director	Number of Share Options granted
Mr. Song Zhenghuan	1,390,000
Mr. Martin Pos	2,400,000
Mr. Michael Nan Qu	2,400,000
Mr. Wang Haiye	2,400,000
Mr. Ho Kwok Yin, Eric	1,000,000
Mr. Iain Ferguson Bruce	800,000
Mr. Shi Xiaoguang	800,000
Ms. Chiang Yun	800,000

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 31 December 2015, 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)	23.36%
Cayey Enterprises Limited (Note 2)	Interest of controlled corporation	259,000,000 (L)	23.36%
Credit Suisse Trust Limited (Note 2)	Trustee	259,000,000 (L)	23.36%
Grappa Holdings Limited (Note 2)	Interest of controlled corporation	259,000,000 (L)	23.36%
Ms. Fu Jingqiu ("Ms. Fu") (Notes 2 & 3)	Settlor/beneficiary of a trust/ Beneficial owner	260,390,000 (L)	23.48%
Pioneer Investments Management Limited	Investment manager	117,530,000 (L)	10.60%
FIL Limited	Investment manager	99,381,000 (L)	8.96%
Pioneer Asset Management S.A.	Investment manager	85,426,000 (L)	7.70%
GIC Private Limited (formerly known as Government of Singapore Investment Corporation Pte Ltd)	Investment manager	76,673,000 (L)	6.91%
The Capital Group Companies, Inc. (Note 4)	Interest of controlled corporation	62,827,000 (L)	5.66%

Notes:

(1) The letter "L" denotes the person's long position in such shares.

(2) Pacific United Developments Limited is owned as to approximately 45.39% by Cayey Enterprises Limited, which in turn is, as at 31 December 2015, 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) Ms. Fu is deemed to have an interest in the 1,390,000 underlying Shares of the Company within the meaning of Part XV of the SFO in respect of the Share Options of the Company granted to her.

(4) The Capital Group Companies, Inc holds a 100% shareholding interest in Capital Group International, Inc. ("CGII") whereas CGII holds a 100% shareholding interest in each of Capital Guardian Trust Company, Capital International, Inc., Capital International Limited and Capital International Sarl and consequently, each of them is deemed to be interested in 62,827,000 shares.

SUBSIDIARIES

The Group's operations are substantially conducted in the PRC through its direct or indirect subsidiaries. Details of the subsidiaries of the Company as at 31 December 2015 are set out in note 1 to the Financial Statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2015.

CONNECTED TRANSACTIONS

The Group's related parties transactions marked with "#" for the year ended 31 December 2015 set out in note 38 to the Financial Statements constitute continuing connected transactions as defined in chapter 14A of the Listing Rules and the Company has complied with the disclosure requirements in chapter 14A of the Listing Rules.

Continuing connected transactions which are exempted from the independent shareholders' approval requirement, but subject to the reporting, annual review and announcement requirements of the Listing Rules

(a) First Pingxiang Lease Agreement

On 28 December 2012, Goodbaby Group Pingxiang Co., Ltd.* (好孩子集團平鄉有限公司) ("GGPX") and Goodbaby Child Products Pingxiang Co., Ltd.* (好孩子兒童用品平鄉有限公司) ("GCPX") entered into a lease agreement (the "2012/13/14 Pingxiang Lease Agreement"), pursuant to which GGPX agreed to lease certain premises located in Pingxiang County, Hebei Province, PRC (the "Properties") to GCPX for a three-year period commencing from 1 January 2013 and ending on 31 December 2015. On 7 October 2015, GGPX and GCPX entered into a renewal agreement (the "First Pingxiang Lease Agreement") to renew the 2012/13/14 Pingxiang Lease Agreement for a fixed term of 3 years commencing from 1 January 2016 and ending on 31 December 2018.

Pursuant to the First Pingxiang Lease Agreement, GGPX agreed to lease the Properties to GCPX principally for production and for manufacturing plants and manufacturing support facilities purposes. The aggregate annual rental of the Properties payable by GCPX to GGPX is determined with reference to the market rental rate as well as the qualities of other properties in the area surrounding the Properties under the First Pingxiang Lease Agreement and (where applicable) may be adjusted in accordance with the terms of the lease by mutual agreement or by the appointment of an independent valuator with international reputation and acceptable to both parties. Rental payment for each month is payable in advance on a monthly basis before the tenth day of each month.

GCPX has an option to renew the First Pingxiang Lease Agreement at any time within the three month period before the expiry date of the First Pingxiang Lease Agreement for a further period of three years, on the condition that all applicable disclosure and/or shareholders' approval requirement under the Listing Rules shall have been complied with by the Company.

The historical transactions between GCPX and GGPX in relation to the Properties during the three years ended 31 December 2015 is RMB3,710,000 (approximately HK$4,396,090), RMB8,042,000 (approximately HK$9,529,210) and RMB8,250,630 (HK$10,249,230), respectively.

The annual caps under the First Pingxiang Lease Agreement for each of the three years ending 31 December 2018 is RMB8,626,000 (HK$10,221,200), RMB9,001,000 (HK$10,665,600) and RMB9,376,000 (HK$11,109,900), respectively.

GGPX is a wholly-owned subsidiary of 好孩子集團有限公司(Goodbaby Group Co., Ltd.*) ("**GGCL**"), a company which is held as to approximately 67.11% by Mr. Song Zhenghuan, the Company's chairman and executive Director and his spouse. Accordingly, GGPX is a connected person of the Company under Chapter 14A of the Listing Rules and the entering of the First Pingxiang Lease Agreement constitute as a connected transaction for the Company.

For further details, please also refer to the announcement of the Company dated 7 October 2015.

(b) Second Pingxiang Lease Agreement

On 18 March 2014, GGPX and Goodbaby Child Products Co., Ltd.*（好孩子兒童用品有限公司）("GCPC") entered into a lease agreement (the "2014 Pingxiang Lease Agreement"), pursuant to which GGPX will lease certain premises located in Pingxiang County, Hebei Province, PRC (the "Property V") to GCPC commencing from 1 April 2014 and ending on 31 December 2015. The 2014 Pingxiang Lease Agreement is valid for a term commencing from 1 April 2014 and ending on 31 December 2015. On 7 October 2015, GGPX and GCPC entered into a renewal agreement (the "Second Pingxiang Lease Agreement") to renew the 2014 Pingxiang Lease Agreement for a fixed term of 3 years commencing from 1 January 2016 and ending on 31 December 2018. Pursuant to the Second Pingxiang Lease Agreement, GGPX agreed to lease Property V to GCPC principally for logistics warehouse purpose.

* *For identification purpose only*

The aggregate annual rental payable by GCPC to GGPX under the Second Pingxiang Lease Agreement is determined with reference to the market rental rate as well as the qualities of other properties in the area surrounding the Property V under the Second Pingxiang Lease Agreement and (where applicable) may be adjusted in accordance with the terms of the lease by mutual agreement or by the appointment of an independent valuator with international reputation and acceptable to both parties. Rental payment for each month is payable in advance on a monthly basis before the tenth day of each month.

GCPC has an option to renew the Second Pingxiang Lease Agreement at any time within the three month period before the expiry date of the Second Pingxiang Lease Agreement for a further period of three years, on the condition that all applicable disclosure and/or shareholders' approval requirement under the Listing Rules shall have been complied with by the Company.

The historical transactions between GCPC and GGPX in relation to the rental payment under the 2014 Pingxiang Lease Agreement during the two years ended 31 December 2015 is RMB1,178,000 (approximately HK$1,395,850) and RMB1,538,616 (approximately HK$1,911,324), respectively.

The annual caps under the Second Pingxiang Lease Agreement for each of the three years ending 31 December 2018 is RMB1,616,000 (HK$1,914,850), RMB1,693,000 (HK$2,006,090) and RMB1,770,000 (HK$2,097,330), respectively.

GGPX is a wholly-owned subsidiary of GGCL, a company which is held as to approximately 67.11% by Mr. Song Zhenghuan, the Company's chairman and executive Director and his spouse. Accordingly, GGPX is a connected person of the Company under Chapter 14A of the Listing Rules and the entering of the Second Pingxiang Lease Agreement constitute as a connected transaction for the Company.

For further details, please also refer to the announcement of the Company dated 7 October 2015.

(c) Kunshan Lease Agreement

On 7 October 2015, GCPC and GGCL entered into a lease agreement (the "Kunshan Lease Agreement") to renew the lease agreement dated 8 November 2010 and supplemented by supplemental agreements date 20 December 2011 and 29 October 2012 pursuant to which GGCL agreed to lease certain premises located in Kunshan City, Jiangsu Province, PRC (the "Property VI") to GCPC for a three-year period commencing from 1 January 2016 and ending on 31 December 2018. Pursuant to the Kunshan Lease Agreement, GGCL agreed to lease Property VI to GCPC principally for the usage as staff dormitories purpose.

The aggregate annual rental of the Property VI payable by GCPC to GGCL under the Kunshan Lease Agreement is determined with reference to the market rental rate as well as the qualities of the properties in the area surrounding the properties under the Kunshan Lease Agreement (i.e. Property VI) and (where applicable) may be adjusted in accordance with the terms of the lease by mutual agreement or by the appointment of an independent valuator with international reputation and acceptable to both parties. Rental payment for each month is payable in advance on a monthly basis before the tenth day of each month.

* *For identification purpose only*

GCPC has an option to renew the Kunshan Lease Agreement at any time within the three month period before the expiry date of the Kunshan Lease Agreement for a further period of three years, on the condition that all applicable disclosure and/or shareholders' approval requirement under the Listing Rules shall have been complied with by the Company.

The historical transactions between GCPC and GGCL in relation to the Property VI during the three years ended 31 December 2015 is RMB700,600 (approximately HK$830,162), RMB700,600 (approximately HK$830,162) and RMB700,632 (approximately HK$870,350), respectively.

The annual caps under the Kunshan Lease Agreement for each of the three years ending 31 December 2018 is RMB736,000 (HK$872,109), RMB773,000 (HK$915,951) and RMB812,000 (HK$962,163), respectively.

GGCL is a company which is held as to approximately 67.11% by Mr. Song Zhenghuan, the Company's chairman and executive Director and his spouse. Accordingly, GGCL is a connected person of the Company under Chapter 14A of the Listing Rules and the entering of the Kunshan Lease Agreement constitute as a connected transaction for the Company.

For further details, please also refer to the announcement of the Company dated 7 October 2015.

(d) Supply of Gift Products by GCCL to GCPC

On 28 December 2012, GCPC and Goodbaby China Commercial Co., Ltd.* (好孩子(中國)商貿有限公司) ("GCCL") entered into a supply agreement (the "Supply Agreement"), pursuant to which GCCL agreed to supply infants' and children's products such as nursing products, paper products or toys (the "Gift Products") to GCPC to be used as free gifts for sales of GCPC's products, for a period of three years commencing on 1 January 2013 to 31 December 2015. On 7 October 2015, GCPC and GCCL entered into a renewal agreement (the "2015 Gift Supply Agreement") to renew the Supply Agreement for a fixed term of 3 years commencing from 1 January 2016 and ending on 31 December 2018.

Pursuant to the 2015 Gift Supply Agreement, GCCL agreed to supply the Gift Products to GCPC to be used as free gifts for sales of GCPC's products. The purchase prices of the Gift Products payable by GCPC to GCCL under the 2015 Gift Supply Agreement is determined based on the prevailing market prices and in accordance with the pricing policies of continuing connected transactions of the Group as detailed in the announcement dated 7 October 2015 and will be no less favorable to the Group than those purchased from other independent suppliers of similar products. The terms of the 2015 Gift Supply Agreement were concluded after arm's length negotiations and were based on normal commercial terms in the parties' ordinary course of business. Upon receipt of the monthly invoice from GCCL, GCPC shall pay such transaction amount to GCCL within seven business days thereon.

Within three business days upon receipt by GCCL of purchase orders from GCPC, GCPC may collect at its own costs such Gift Products from the warehouse of GCCL, or GCCL may deliver such Gift Products to such venue of transportation receipt situated at Shanghai or Kunshan City, Jiangsu Province as designated by GCPC, for GCPC to transport at its own costs.

The historical transactions between GCPC and GCCL in relation to the Gift Products supplied during the three years ended 31 December 2015 is RMB495,600 (approximately HK$587,251), RMB139,800 (approximately HK$165,653) and RMB246,645 (approximately HK$306,391), respectively.

The annual caps under the 2015 Gift Supply Agreement for each of the three years ending 31 December 2018 is RMB7,000,000 (HK$8,294,510), RMB8,000,000 (HK$9,479,440) and RMB9,000,000 (HK$10,664,400), respectively.

GCCL is an indirect wholly owned subsidiary of G-Baby Holdings Limited, which in turn is held as to approximately 63.9% by companies ultimately controlled by Mr. Song and his spouse, including PUD, a substantial shareholder of the Company. Accordingly, GCCL is an associate of Mr. Song under the Listing Rules and thus it is regarded as a connected person of the Company under the Listing Rules and the entering of the 2015 Gift Supply Agreement constitute as a connected transaction for the Company.

For further details, please also refer to the announcement of the Company dated 7 October 2015.

Continuing connected transaction subject to the reporting, annual review, announcement and independent shareholders' approval requirements of the Listing Rules

(e) Supply of products by GBHK to GCHL

On 8 November, 2010, GCPC entered into an agreement (as amended by a supplemental agreement dated 16 November 2011, together, the "GCCL Supply Agreement") with GCCL for a period commencing from 24 November 2010 and ended on 31 December 2012, pursuant to which GCPC agreed to supply strollers, children's car safety seats, cribs, children's bicycles and other durable juvenile products (the "Products") to GCCL for domestic sales. Such agreement was renewed (the "Renewed GCCL Supply Agreement") on 29 October 2012 for a further period of three years commencing on 1 January 2013 to 31 December 2015. On 7 October 2015, to further optimize and unify the Group's business relationship with GCCL, Goodbaby (Hong Kong) Limited ("GBHK"), which in turn holds 100% interest in GCPC and Goodbaby China Holdings Limited（好孩子中國控股有限公司）("GCHL") which in turn indirectly holds 100% interest in GCCL, entered into a master supply agreement (the "GCHL Master Supply Agreement"), pursuant to which GBHK agreed to supply, or procure its subsidiaries to supply, the Products to GCHL and its subsidiaries for domestic sales for a period commencing from 1 January 2016 and ending on 31 December 2018, and GCHL agreed to distribute or procure its subsidiaries to distribute the Products supplied by GBHK and its subsidiaries in the domestic market.

The purchase prices of the Products payable by GCHL and its subsidiaries to GBHK under the GCHL Master Supply Agreement is determined based on the prevailing market prices and in accordance with the pricing policies of continuing connected transactions of the Group as detailed in the announcement dated 7 October 2015 and will be no less favorable to the Group than those offered to independent purchasers of the Group's products. The terms of the GCHL Master Supply Agreement were concluded after arm's length negotiations and were based on normal commercial terms in the parties' ordinary course of business.

REPORT OF THE BOARD OF DIRECTORS

For the period from 1 January 2016 to 31 December 2016, payment pursuant to the GCHL Master Supply Agreement shall be made within 120 days upon the date of invoice. Thereafter, payment term pursuant to the GCHL Master Supply Agreement will be determined based on annual review and adjustment based on the actual turnover days of the accounts receivable in the previous year, but in any event not more than 120 days.

Within three business days upon receipt by GBHK and/or its subsidiaries of specific purchase orders from GCHL and its subsidiaries, GCHL and its subsidiaries may collect at its own costs such Products from the warehouse of GBHK and/or its subsidiaries, or GBHK and/or its subsidiaries may deliver such Products to such venue of transportation receipt situated in Shanghai or Kunshan City, Jiangsu Province as designated by GCHL and its subsidiaries, for GCHL and/or its subsidiaries to transport at its own costs.

The historical transactions between GBHK and GCHL in relation to the Products sold during the three years ended 31 December 2015 is RMB465,960,390 (approximately HK$552,131,000), RMB644,129,420 (approximately HK$763,248,000) and RMB700,539,946 (approximately HK$870,235,958), respectively.

The annual caps under the GCHL Master Supply Agreement for each of the three years ending 31 December 2018 is RMB1,110,000,000 (HK$1,315,270,000), RMB1,450,000,000 (HK$1,718,150,000) and RMB1,870,000,000 (HK$2,215,820,000), respectively.

GCHL is a company which is held as to approximately 87.24% by companies ultimately controlled by the Chairman and his spouse, including PUD, a substantial shareholder of the Company, GGCL is a company which is held as to 67.11% by the Chairman and his spouse. Accordingly, GCHL is an associate of the Chairman under the Listing Rules and thus each of them is regarded as a connected person of the Company under the Listing Rules and the entering of the GCHL Master Supply Agreement constitute as a connected transaction for the Company.

For further details, please also refer to the circular of the Company dated 5 November 2015.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the continuing connected transactions above of the Group.

Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the auditors of the Company to perform certain agreed-upon procedures on the aforesaid continuing connected transactions. Based on the work performed, the auditors of the Company have provided a letter to the Board confirming that the aforesaid continuing connected transactions:

(i) have been approved by the Directors;

(ii) were entered into in accordance with the pricing policies of the Company;

(iii) were entered into in accordance with the terms of the relevant agreements governing such transactions; and

(iv) did not exceed the annual cap amounts.

A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(i) in the ordinary and usual course of the business of the Group;

(ii) on normal commercial terms or better; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2015, the Group has a total of 12,318 full-time employees (as at 31 December 2014, the Group has a total of 12,255 full-time employees). For the year ended 31 December 2015, costs of employees, excluding Directors' emoluments, amounted to a total of HK$1,138.6 million (for the year ended 31 December 2014, costs of employees, excluding directors' emoluments, amounted to a total of HK$1,118.2 million). The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees including the Directors with reference to individual performance and current market salary scale. The Group provides a defined contribution mandatory provident fund for retirement benefits of its employees in Hong Kong, and provides its employees in the PRC and other countries with welfare schemes as required by the applicable local laws and regulations.

The Company has also adopted a share option scheme on 5 November 2010. Details of the share option scheme are set out in the paragraph headed "Share Option Scheme" in this section.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Environmental Protection

Environmental conservation remains a key focus for the Group. The conscientious use of resources and adoption of best practices across the Group's businesses underlie its commitment to safeguarding the environment. The Group encourages environmental protection and comply with environmental legislation and promote awareness towards environmental protection to the employees.

The Group puts great emphasis in environmental protection and sustainable development. Through the establishment of an ever-improving management system, enhancement on procedure monitoring, energy conversation and environment protection were strongly promoted, leading to the remarkable achievement of environmental management. Several measures have been implemented by the Group in order to promote environmental protection.

For instance, the Group has established Environmental Management System as required by ISO14001 and implemented energy-saving reconstruction of production line, which was recognized and appraised by the government.

Compliance with Laws and Regulations

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The audit committee of the Company is delegated by the Board to monitor the Group's practices on compliance with legal and regulatory requirements. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

REPORT OF THE BOARD OF DIRECTORS

As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

Workplace Quality

The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics. The Group has employee handbooks outlining terms and conditions of employment, expectations for employees' conduct and behavior, employees' rights and benefits. The Group also establishes and implements policies that promote a harmony and respectful workplace.

The Group believes that employees are the valuable assets of an enterprise and regards human resources as its corporate wealth. The Group provides on-the-job training and development opportunities to enhance its employees' career progression. Through different training, staff's professional knowledge in corporate operations, occupational and management skills are enhanced. The Group also organized charitable and staff-friendly activities for employees, such as outings, sport match and health talks to provide communication opportunities among staff, which are vital to promote staff relationship and physical fitness.

Health and Safety

The Group prides itself on providing a safe, effective and congenial work environment. Adequate arrangements, training and guidelines are implemented to ensure the working environment is healthy and safe. The Group provides health and safety communications for employees to present the relevant information and raise awareness of occupational health and safety issues.

The Group values the health and well-being of staff. In order to provide employees with health coverage, staff are entitled to medical insurance benefits as well as other health awareness programs.

Training and Development

The Group is committed to the professional and personal development and growth of all employees and considers training and development a continual process. Many on- and off-the-job training courses and programs are provided to help employees develop and maintain consistency, proficiency and professionalism. Structured training programmes including courses, seminars and workshops are offered to staff at all levels with the objective of grooming and unleashing their full potential, supporting, organizational development and facilitating team synergies. Employees are encouraged to take advantage of these programmes in order to equip themselves with the skills and knowledge for expanded career opportunities within the Group.

In 2015, the Group has deployed its first international employee exchange program allowing selected talents of the Group to spend one to three months in an overseas location in order to gain international exposure and understand the overseas operations.

Commitment to Quality

The Group has made relentless efforts in producing and delivering premium customer experience with superior products and excellent customer service. Group staff have an acute judgment on market and customers needs. Therefore, customer requirements are promptly satisfied and steered through establishing various channels to foster two-ways communication. With an proactive approach on continuous improvements in customer experience, the Company believes that competitive advantages can be acquired.

The Group has been taking initiative in establishing the standards for juvenile products such as strollers, aiming to improve the safety of juvenile products. In order to achieve this, the Group has set up an authoritative lab, which has been accredited by CNAS. Moreover, this lab, officially recognized by U.S. Consumer Product Safety Commission ("CPSC"), is also a collaborative lab with SGS and TÜV Nord Group etc.

Looking forward to 2016, the Company will continue with its research and innovation efforts to enrich the Group's product portfolio. The Company will also ensure the quality and safety of its products and place customers' needs at the first place so as to maintain its advantage in terms of our highly tailored services and overall marketing capability and to further increase customer satisfaction and shareholders' value.

Management of Supply Chain

The Group adheres to open, fair and transparent criteria in selecting suppliers and service providers, and has established a supplier evaluation system in terms of price, quality, cost, delivery and after-sales service. The Group will carry out long-term quality monitoring and conduct regular reviews on all suppliers as well as causal examination on different suppliers to ensure sustainable quality material supplies and services.

CONFIRMATION OF INDEPENDENT STATUS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors independent.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the corporate governance report contained in this annual report.

INDEMNITY AND INSURANCE PROVISIONS

The Company has arranged appropriate directors and officers liability insurance in respect of legal action against Directors. Also, each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto in accordance with the Articles of Association.

EXCHANGE RISKS

Details of the exchange risks are set out in note 41 to the Financial Statements.

PURCHASE, SALE OR RE-PURCHASE OF SHARES

There was no purchase, sale and re-purchase of any listed securities of the Company by the Company or any of its subsidiaries during the year ended 31 December 2015.

DISCLOSURE UNDER RULE 13.20 OF THE LISTING RULES

The Directors are not aware of any circumstances resulting in the responsibility of disclosure under Rule 13.20 of the Listing Rules regarding the provision of advances by the Company to an entity.

REPORT OF THE BOARD OF DIRECTORS

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

Change of directors' remuneration

On 15 January 2016, Mr. Martin POS, an executive Director and the deputy CEO of the Company, has succeeded Mr. SONG Zhenghuan as the CEO of the Company and Mr. Song remains as the Chairman of the Board and an executive Director of the Company. Mr. Song has signed a supplemental letter and Mr. Pos has entered into a service agreement with the Company. Changes of their directors' remuneration are listed as follows:-

Name	Position	Annual remuneration before 15 January 2016	Annual remuneration with effect from 15 January 2016
Song Zhenghuan	Chairman and executive Director	annual fixed salary in the amount of RMB3,500,000 (after tax) per annum	annual fixed salary in the amount of RMB1,750,000 (after tax) per annum
Martin Pos	CEO and executive Director	an aggregate amount of remuneration (including Director's fee and salary) of EUR400,000 per annum, with bonus payable at the discretion of the Board	fixed annual salary of EUR500,000, an annual performance bonus subject to the amount of consolidated net profit of the Group for the year 2016 and other fringe benefits as stipulated in the service agreement

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 13.51B(1) of the Listing Rules since the publication of the 2015 interim report of the Company.

EVENT AFTER THE REPORTING PERIOD

Details of the events after the reporting period of the Group are set out in note 42 to the Financial Statements.

FINANCIAL SUMMARY

The summary of the results, assets and liabilities of the Group in the past five financial years is set out on pages 177 to 178 of this annual report.

PRE-EMPTIVE RIGHTS

There is no provision regarding pre-emptive rights in the articles of association of the Company or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENT PUBLIC FLOAT

The Company has maintained the public float as required by the Listing Rules for the year ended 31 December 2015.

AUDITORS

The financial statements of the Company for the year ended 31 December 2015 have been audited by Ernst & Young which will retire, and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

A resolution for the re-appointment of Ernst & Young as auditors of the Company is to be proposed at the forthcoming annual general meeting.

For and on behalf of the Board of Directors
Song Zhenghuan
Chairman

29 March 2016

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Goodbaby International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Goodbaby International Holdings Limited (the "Company") and its subsidiaries set out on pages 76 to 176, which comprise the consolidated statements of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	Notes	**2015 (HK$'000)**	2014 (HK$'000)
Revenue	6	**6,951,131**	6,115,592
Cost of sales		**(4,900,919)**	(4,588,057)
Gross profit		**2,050,212**	1,527,535
Other income and gains	6	**94,881**	97,147
Selling and distribution expenses		**(1,030,382)**	(777,464)
Administrative expenses		**(794,064)**	(699,180)
Other expenses		**(3,062)**	(3,234)
Finance costs	8	**(60,466)**	(48,110)
Finance income	7	**7,246**	8,606
Share of losses of a joint venture		**(30)**	(31)
Share of losses of an associate		**(8)**	—
PROFIT BEFORE TAX	9	**264,327**	105,269
Income tax expense	12	**(61,655)**	(47,545)
PROFIT FOR THE YEAR		**202,672**	57,724
Attributable to:			
Owners of the parent		**197,434**	57,475
Non-controlling interests		**5,238**	249
		202,672	57,724
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:	14		
Basic			
– For profit for the year (HK$)		**0.18**	0.05
Diluted			
– For profit for the year (HK$)		**0.18**	0.05

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	2015 (HK$'000)	2014 (HK$'000)
PROFIT FOR THE YEAR	**202,672**	57,724
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(129,390)**	(48,742)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(129,390)**	(48,742)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Actuarial gains/(losses) of defined benefit plans	**325**	(6,511)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**325**	(6,511)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(129,065)**	(55,253)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**73,607**	2,471
Attributable to:		
Owners of the parent	**69,340**	2,326
Non-controlling interests	**4,267**	145
	73,607	2,471

Goodbaby International

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	**31 December 2015 (HK$'000)**	31 December 2014 (HK$'000) (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	15	**878,769**	920,953
Prepaid land lease payments	16	**59,608**	65,449
Goodwill	17	**819,619**	837,717
Other intangible assets	18	**682,256**	711,909
Investment in a joint venture		**844**	927
Investment in an associate		**—**	—
Deferred tax assets	31	**43,092**	20,249
Other long-term assets	19	**3,637**	—
Total non-current assets		**2,487,825**	2,557,204
CURRENT ASSETS			
Inventories	20	**1,244,756**	1,535,271
Trade and notes receivables	21	**695,599**	973,309
Prepayments and other receivables	22	**143,629**	192,751
Due from a related party	38	**303,758**	379,152
Available-for-sale investments	23	**310,347**	206,389
Cash and cash equivalents	24	**705,291**	434,661
Time deposits	24	**2,726**	50,723
Pledged time deposits	24	**27,199**	165,807
Derivative financial instruments	25	**421**	26,797
Total current assets		**3,433,726**	3,964,860
CURRENT LIABILITIES			
Trade and bills payables	26	**941,205**	1,131,336
Other payables, advances from customers and accruals	27	**463,929**	433,370
Interest-bearing bank borrowings and other borrowings	29	**691,700**	1,496,078
Income tax payable		**68,205**	25,180
Provision	28	**37,353**	21,088
Defined benefit plan liabilities	30	**465**	310
Dividends payable		**8**	8
Total current liabilities		**2,202,865**	3,107,370
NET CURRENT ASSETS		**1,230,861**	857,490
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,718,686**	3,414,694

continued/...

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	31 December 2015 (HK$'000)	31 December 2014 (HK$'000) (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,718,686**	3,414,694
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings and other borrowings	29	**1,005,918**	762,118
Provision	28	**78,732**	83,192
Defined benefit plan liabilities	30	**14,216**	12,870
Other liabilities	32	**10,577**	9,041
Deferred tax liabilities	31	**201,141**	219,813
Total non-current liabilities		**1,310,584**	1,087,034
Net assets		**2,408,102**	2,327,660
EQUITY			
Equity attributable to owners of the parent			
Share capital	33	**11,086**	11,010
Reserves	35	**2,354,172**	2,285,894
		2,365,258	2,296,904
Non-controlling interests		**42,844**	30,756
Total equity		**2,408,102**	2,327,660

SONG Zhenghuan
Director

WANG Haiye
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Attributable to owners of the parent												
	Share capital (HK$'000) (note 33)	Share premium (HK$'000)	Deferred share reserve (HK$'000) (note 35)	Share option reserve (HK$'000)	Statutory reserve funds (HK$'000) (note 35)	Cumulative translation adjustments (HK$'000)	Defined benefit plans (HK$'000) (note 30)	Merger reserve (HK$'000) (note 35)	Capital reserve (HK$'000)	Retained earnings (HK$'000)	Total (HK$'000)	Non-controlling interests (HK$'000)	Total equity (HK$'000)
At 1 January 2014	10,054	857,597	–	10,420	131,211	216,644	–	153,975	–	616,980	1,996,881	30,611	2,027,492
Profit for the year	–	–	–	–	–	–	–	–	–	57,475	57,475	249	57,724
Remeasurement effects of defined benefit plans	–	–	–	–	–	–	(6,511)	–	–	–	(6,511)	–	(6,511)
Exchange differences on translation	–	–	–	–	–	(48,638)	–	–	–	–	(48,638)	(104)	(48,742)
Total comprehensive income for the year	–	–	–	–	–	(48,638)	(6,511)	–	–	57,475	2,326	145	2,471
Difference between proposed and declared 2014 dividend	–	(2)	–	–	–	–	–	–	–	2	–	–	–
Issue of shares	955	325,521	–	–	–	–	–	–	–	–	326,476	–	326,476
Deferred shares	–	–	15,524	–	–	–	–	–	–	–	15,524	–	15,524
Share options exercised	1	290	–	(75)	–	–	–	–	–	–	216	–	216
Profit appropriation	–	–	–	–	9,059	–	–	–	–	(9,059)	–	–	–
2013 dividend declared (note 13)	–	–	–	–	–	–	–	–	–	(55,047)	(55,047)	–	(55,047)
Equity-settled share option arrangements	–	–	–	10,528	–	–	–	–	–	–	10,528	–	10,528
At 31 December 2014 and 1 January 2015	11,010	1,183,406*	15,524*	20,873*	140,270 *	168,006 *	(6,511)*	153,975*	–	610,351 *	2,296,904	30,756	2,327,660
Profit for the year	–	–	–	–	–	–	–	–	–	197,434	197,434	5,238	202,672
Remeasurement effects of defined benefit plans	–	–	–	–	–	–	325	–	–	–	325	–	325
Exchange differences on translation	–	–	–	–	–	(128,419)	–	–	–	–	(128,419)	(971)	(129,390)
Total comprehensive income for the year	–	–	–	–	–	(128,419)	325	–	–	197,434	69,340	4,267	73,607
Deferred shares	45	15,479	(15,524)	–	–	–	–	–	–	–	–	–	–
Share option exercised	31	9,193	–	(2,680)	–	–	–	–	–	–	6,544	–	6,544
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	7,821	7,821
Profit appropriation	–	–	–	–	9,229	–	–	–	–	(9,229)	–	–	–
Equity-settled share option arrangements	–	–	–	12,714	–				–	–	12,714	–	12,714
Put option over non-controlling interests	–	–	–	–	–	–	–	–	(20,244)	–	(20,244)	–	(20,244)
As at 31 December 2015	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

* These reserve accounts comprise the consolidated reserves of HK$2,354,172,000 (2014: HK$2,285,894,000) in the consolidated statement of financial position.

** Retained profits have been adjusted for the proposed final 2014 dividend in accordance with the current year's presentation, which is described in note 2.4 to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 (HK$'000)	2014 (HK$'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**264,327**	105,269
Adjustments for:			
Depreciation and amortisation		**195,440**	156,878
Loss on disposal of items of property, plant and equipment		**2,465**	318
Share of losses of a joint venture		**30**	31
Share of losses of an associate		**8**	—
Write-down of inventories		**28,092**	19,054
Provision for impairment of receivables		—	6,510
Reversal of impairment of receivables		**(644)**	—
Interest expense		**60,466**	48,110
Interest income		**(7,246)**	(8,606)
Increase in defined benefit plan liabilities		**1,501**	7,064
Increase in other liabilities		**1,536**	9,041
Decrease/(increase) in inventories		**273,281**	(348,906)
Decrease in trade and notes receivables		**348,130**	120,003
Increase in prepayments and other receivables		**50,844**	(32,043)
Increase in amounts due from related parties		**75,394**	(143,435)
Increase from other long-term assets		**(3,637)**	—
Increase/(decrease) in trade and notes payables		**(194,518)**	142,643
Increase in other payables, advances from customers and accruals		**20,359**	34,194
Increase in provision		**11,805**	7,833
Income tax paid		**(62,949)**	(56,364)
Fair value gain on derivative financial instruments		**(426)**	(29,077)
Net cash flows generated from operating activities		**1,064,258**	38,517

Goodbaby International

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Note	**2015 (HK$'000)**	2014 (HK$'000)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in an associate		**(8)**	—
Acquisition of subsidiaries	4	**(32,541)**	(1,396,670)
Purchase of property, plant and equipment		**(183,843)**	(159,518)
Purchase of intangible assets		**(15,803)**	(8,502)
Purchase of available-for-sale financial investments		**(120,733)**	(78,649)
Interest received		**6,888**	6,259
Decrease/(increase) in time deposits		**47,997**	(50,723)
Proceeds from disposal of items of property, plant and equipment		**11,002**	2,623
Net cash flows used in investing activities		**(287,041)**	(1,685,180)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**6,544**	216
Proceeds from borrowings		**387,549**	3,499,303
Repayment of borrowings		**(989,022)**	(1,767,258)
Interest paid		**(50,266)**	(38,382)
Decrease/(increase) in pledged time deposits		**138,608**	(165,807)
Dividends paid		**—**	(55,047)
Net cash flows (used in)/generated from financing activities		**(506,587)**	1,473,025
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**270,630**	(173,638)
Cash and cash equivalents at beginning of year		**434,661**	608,299
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	**705,291**	434,661

NOTES TO FINANCIAL STATEMENTS

31 December 2015

1. CORPORATE AND GROUP INFORMATION

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

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

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name of company	Place and date of incorporation/ registration	Percentage of equity interest attributable to the Company		Paid in/ issued and fully paid share capital	Principal activities
Subsidiaries		Direct	Indirect		
Goodbaby (Hong Kong) Limited ("GBHK")	Hong Kong, 23 July 1999	100%	—	HK$1,000	Investment holding and sales agent company
Goodbaby Children's Products, Inc. ("GCPI")	The United States of America ("US"), 16 May 2002	—	100%	US$200,000	R&D services, and preliminary product design service
Goodbaby Child Products Co., Ltd. ("GCPC")	The People's Republic of China ("PRC"), 18 November 1994	—	100%	US$52,000,000	Manufacturing, distribution and sale of safety belts, cloth sets, car safety seats, car components for children, infant strollers and bicycles
Ningbo Goodbaby Child Products Co., Ltd. ("GCPN")	PRC, 9 September 1996	—	85%	RMB10,000,000	Manufacturing, distribution and sale of child cloth beds, infant strollers, bath chairs for children and stadium chairs
Paragon Child Product Co., Ltd. ("PCPC")	PRC, 2009	—	100%	RMB10,000,000	Manufacturing, distribution and sale of bicycles, sports utilities, e-cars and wooden products.
Pingxiang Goodbaby Child Products Co., Ltd. ("GCPX")	PRC, 26 December 2011	—	100%	RMB2,000,000	Manufacturing, distribution and sale of child cloth beds, infant strollers, bath chairs for children and stadium chairs
Jiangsu EQO Testing Services Co., Ltd. ("EQTC")	PRC, 30 November 2012	—	100%	RMB5,000,000	Testing of children's products, tools, electronic products and advisory for risk valuation of product quality
Kunshan Cybex Child Products Co., Ltd. ("Kunshan Cybex")*	PRC, 5 August 2014		100%	US$100,000	Development of infant strollers, bicycles, child car-seats, child carrying systems, pushchairs, high chairs and other products for children as well as R&D services and technical consulting service

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name of company	Place and date of incorporation/ registration	Percentage of equity interest attributable to the Company		Paid in/ issued and fully paid share capital	Principal activities
Subsidiaries		Direct	Indirect		
Goodbaby Child Products Hanchuan Co., Ltd ("GCHC")	PRC, 8 July 2014	—	100%	RMB1,000,000	Manufacturing, distribution and sale of child cloth beds, infant strollers, bath chairs for children and stadium chairs
Goodbaby Japan Co., Ltd. ("GBJP")	Japan, 2008	—	100%	JPY3,000,000	R&D services, and preliminary product design service
Turnkey Design Cooperative U.A. ("GBNH")	Netherlands, 2008	1%	99%	EUR100	Investment holding
Magellan Holding GmbH ("MHGH")	Germany, 2 June 2014	—	100%	EUR25,000	Investment holding
Goodbaby US Holdings, Inc. ("GBUH")	U.S., 16 May 2014	—	100%	US$1	Investment holding
Serena Merger Co., Inc. ("SERE")	U.S., 16 May 2014	—	100%	US$1,000	Investment holding
WP Evenflo Holdings, Inc. ("WPEF")	U.S., 25 June 2004	—	100%	US$10	Investment holding
Evenflo Company, Inc. ("EFCD")	U.S., 1 October 1992	—	100%	US$86,500	Manufacture of baby care products
Evenflo Company Holdings, LLC ("EFCO")	U.S., 25 January 2012	—	100%	N/A	Manufacture of baby care products
Muebles Para Ninos De Baja, S.A. De C.V. ("EFMX")	Mexico, 29 June 1987	—	100%	Peso1,720,000	Manufacture of baby care products
Lisco Feeding, Inc. ("LSFE")	U.S., 1 September 1994	—	100%	US$1	Manufacture of baby care products
Lisco Furniture, Inc. ("LSFU")	U.S., 1 September 1994	—	100%	US$1	Manufacture of baby care products
Evenflo (Philippines) Inc. ("EFPI")	Philippines, 6 April 1970	—	100%	Peso6,000,000	Manufacture of baby care products
Evenflo Canada Inc. ("EFCA")	Canada, 18 March 1991	—	100%	US$7,000	Manufacture of baby care products
Evenflo Asia, Inc. ("EFAI")	U.S., 15 December 2004	—	100%	US$1	Manufacture of baby care products

NOTES TO FINANCIAL STATEMENTS
31 December 2015

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name of company	Place and date of incorporation/ registration	Percentage of equity interest attributable to the Company		Paid in/ issued and fully paid share capital	Principal activities
Subsidiaries		Direct	Indirect		
Evenflo Europe SARL ("EFEU")	France, 2 January 1997	—	100%	Francs50,000	Manufacture of baby care products
Evenflo Hong Kong Limited (EFHK)	Hong Kong, 25 July 2007	—	100%	HK$10,000	Investment holding
Pacquita Limted (PAQT)	Somoa, 8 January 2015	—	100%	US$1,000,000	Investment holding
Turnkey Design B.V. ("GBNE")	Netherlands, 2008	—	100%	EUR18,000	R&D services, and preliminary product design service
Goodbaby Europe Holdings Limited ("GEHL")	Cayman Island, 3 January 2014	—	100%	HK$8	Investment holding
Goodbaby (Europe) Group Limited ("GEGL")	Hong Kong, 9 January 2014	—	100%	HK$1	Investment holding
Goodbaby (Europe) Management Gmbh ("GEMG")	Germany, 29 January 2014	—	100%	EUR25,000	Purchase, sale, possession and management of holding companies including activities relating to Goodbaby (Europe) Gmbn & Co KG
Goodbaby (Europe) Gmbh & Co KG ("GEGC")	Germany, 28 January 2014	—	100%	EUR100	Purchase, sale, holding and management of participating interests and development and production of child car-seats, strollers, child carrying systems, pushchairs, high chairs and other products for children
Columbus Holding Gmbh ("CBCH")	Germany, 14 April 2014	—	100%	EUR125,000	Design and sale of juvenile products
Cybex Industrial Limited ("CBHK")	Hong Kong, 8 March 2005	—	100%	US$1,671	Development and distribution of safety, innovative and lifestyle-oriented products in the baby and nursery sector
Goodbaby (Europe) Management Gmbh ("GEMG")	Germany, 29 January 2014	—	100%	EUR25,000	Purchase, sale, possession and management of holding companies including activities relating to Goodbaby (Europe) Gmbn & Co KG
Cybex GmbH (CBGM)	Germany, 5 March 2014		94.5%	EUR33,400	Trading of car-seats, strollers, child carrying systems, pushchairs, high chairs and other products for children

NOTES TO FINANCIAL STATEMENTS

31 December 2015

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name of company	Place and date of incorporation/ registration	Percentage of equity interest attributable to the Company		Paid in/ issued and fully paid share capital	Principal activities
		Direct	Indirect		
Subsidiaries					
GB GmbH (GBGM)	Germany, 21 August 2015	—	100%	EUR25,000	Investment holding
Columbus Trading-Partners USA Inc. (CBUS) (US)	U.S., 24 November 2014	—	100%	US$1	Investment holding
Columbus Trading-Partners Scandinavia A/S (CBDK)	Denmark, 1 September 2015	—	70%	DKK500,000	Trading of car-seats, strollers, child carrying systems, pushchairs, high chairs and other products for children and any related activity of board of directors

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Annual Improvements to IFRSs 2010-2012 Cycle

Annual Improvements to IFRSs 2011-2013 Cycle

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

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(Continued)

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

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

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
4 Effective for annual periods beginning on or after 1 January 2019
5 Effective for annual periods beginning on or after 1 January 2017
6 No mandatory effective date determined but available for adoption

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

(a) Classification and measurement

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

(b) Impairment

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In July 2015, the IASB issued an amendment to IFRS 15 regarding a one-year deferral of the mandatory effective date of IFRS 15 to 1 January 2018. The Group expects to adopt IFRS 15 on 1 January 2018. During the year ended 31 December 2015, the Group performed a preliminary assessment on the impact of the adoption of IFRS 15.

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

(i) the materiality requirements in IAS 1;

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

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

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

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

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in an associate and a joint venture

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in an associate and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of an associate and a joint venture is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate or joint venture are eliminated to the extent of the Group's investment in the associate or joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate or joint venture is included as part of the Group's investment in associate or a joint venture.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for controls the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All of the components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value either recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets of liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

The Group measures its derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity) and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost (or valuation) less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of items of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained earnings as a movement in reserves.

Depreciation is calculated on the straight-line basis over the estimated useful life of each item of property, plant and equipment, after taking into account the residual value as follows:

	Estimated useful lives	Estimated residual value
Freehold land	Indefinite	—
Buildings	20 years	0-10%
Plant and machinery	5-15 years	0-10%
Motor vehicles	5 years	0-10%
Furniture and fixtures	3-15 years	—
Leasehold improvements	The lesser of lease terms and useful lives	—

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Trademarks

Trademarks are capitalised and amortised using the straight-line method over their estimated useful lives of ten to thirty years except for certain trademarks acquired through the business combinations of Columbus Holding GmbH and WP Evenflo Group Holdings, Inc. whose useful lives are indefinite.

Computer software

Expenditure on computer software are capitalised and amortised using the straight-line method over its estimated useful life of five years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Patents, non-compete agreement and customer relationship

Expenditure on acquired patents, non-compete agreement and customer relationship are capitalised and amortised using the straight-line method over their estimated useful lives of five to twenty years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial investments as appropriate. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the assets have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Available-for-sale financial investments (Continued)

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgment. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, and loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, and interest-bearing bank borrowings and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Financial liabilities at fair value through profit or loss (Continued)

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing borrowings and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Put option over non-controlling interests

During the process of acquiring the majority equity interests of a subsidiary, the Group provided the non-controlling shareholder the right to dispose its equity interests to the Group. The equity interests in the subsidiary held by the non-controlling shareholder shall be recognised as non-controlling interests in the consolidated financial statements of the Group. At the same time, for the put option, the Group shall assume the obligations to redeem in cash the equity interests in the subsidiary held by the non-controlling shareholder. The present value of the amount payable at the time of redemption of such put option shall be deducted from equity (other than non-controlling interests) and is recognised as the financial liability of the Group. Such financial liability shall be re-measured at the present value of the amount payable upon redemption in the subsequent period, with changes recognised in the consolidated statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis, and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents (Continued)

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and a joint venture when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants (Continued)

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership and title have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholders' right to receive payment has been established.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contracts for services (Continued)

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 34 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Retirement benefits

Pursuant to the relevant regulations, the Group's subsidiaries which operate in Mainland China participate in a local municipal government retirement benefit scheme, whereby the Group is required to contribute a certain percentage of the basic salaries of its employees to the scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group. The only obligation of the Group with respect to the scheme is to pay the ongoing required contributions under the scheme mentioned above. Contributions under the scheme are charged to the statement of profit or loss as incurred. There are no provisions under the scheme whereby forfeited contributions may be used to reduce future contributions.

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group's U.S. operations and most other non-U.S. subsidiaries have separate defined contribution plans. The purpose of these defined contribution plans is generally to provide additional financial security during retirement by providing employees with an incentive to make regular savings. Group contributions to the plans are based on employee contributions or compensation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other employee benefits (Continued)

Defined benefit plans

The Group operates defined benefit pension plans with details summarised in note 30. The costs of providing benefits under the defined benefit plans are determined using the projected unit credit actuarial valuation method.

Remeasurements arising from defined benefit plans, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to the consolidated profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "cost of sales" and "administrative expenses" in the consolidated statement of profit or loss by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income

Borrowing costs

Borrowings costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use of sale are capitalised as part of the cost of the respective assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 5% and 13% has been applied to the expenditure on the individual assets.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in HK$, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on retranslation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and a joint venture are currencies other than the HK$. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into HK$ at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the cumulative translation adjustments. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries and a joint venture are translated into HK$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries and a joint venture which arise throughout the year are translated into HK$ at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose suitable discount rates in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2015 was approximately HK$819,619,000 (2014: HK$808,385,000). Further details are given in note 17.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Details of unrecognised tax losses as at the end of the reporting period are contained in note 31.

3. SIGNIFICANT ACCOUNTING, ESTIMATES AND ASSUMPTIONS (Continued)

Estimation uncertainty (Continued)

Provision for impairment of trade and notes receivables

The provision policy for impairment of trade and notes receivables is based on the ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of those receivables, including the credit trade and worthiness and the past collection history of each customer. If the financial conditions of the customers of the Group and the Company were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required. Further details are contained in note 21.

Write-down of inventories

The Group's inventories are stated at the lower of cost and net realisable value. The Group writes down its inventories based on estimates of the realisable value with reference to the age and conditions of the inventories, together with the economic circumstances on the marketability of such inventories. Inventories will be reviewed annually for write-down, if appropriate.

Provisions

Provisions for product warranties granted by the Group on its products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

The Group also makes provision for product liabilities which is based on estimated future costs to be incurred in claims. There are significant estimates included in the projection, which are the discount rate used and assessment on the possibility of outcome of the claims based on historical experience.

Defined benefit plans

The Group operates and maintains defined retirement benefit plans. The cost of providing the benefits in the defined retirement benefit plans is actuarially determined by utilising various actuarial assumptions and using the projected unit credit method. These assumptions include, without limitation, the selection of discount rate and healthcare trend rates.

Additional information regarding the retirement benefit plan is disclosed in note 30 to the financial statements.

4. BUSINESS COMBINATIONS

Acquisition of NICAM A/S

In December 2014, the Group entered into a share sale and transfer agreement (the "Agreement") in relation to the shareholding in NICAM A/S ("NICAM"), a third party distributor company based in Denmark, and pursuant to the Agreement, the Group would acquire 70% of the shares of NICAM (the "Transaction") at a total purchase consideration of EUR3,710,000 (equal to HK$35,062,000), of which the completion was subject to the closing conditions of the Agreement.

NICAM is mainly engaged in the trading of car-seats, strollers and baby carriers and other goods, equipment and services for infants, babies, children and parents.

The acquisition was completed on 9 January 2015, upon fulfilment of the conditions stipulated in the Agreement and NICAM became an indirectly non-wholly-owned subsidiary of the Group.

4. BUSINESS COMBINATIONS (Continued)

Acquisition of NICAM A/S (Continued)

The fair values of the identifiable assets and liabilities of NICAM as at the date of acquisition were:

	Fair value recognised on acquisition (HK$'000)
Assets	
Property, plant and equipment	51
Other intangible assets	25,581
Cash and cash equivalents	2,521
Trade and notes receivables	9,920
Prepayments and other receivables	3,009
Inventories	15,512
	56,594
Liabilities	
Trade and notes payables	(13,632)
Other payables, advances from customers and accruals	(3,598)
Income tax payable	(4,005)
Deferred tax liabilities	(6,267)
	(27,502)
Total identifiable net assets at fair value	29,092
Non-controlling interests	(8,728)
	20,364
Goodwill arising on acquisition	5,692
Total consideration	26,056
Cash paid	35,062
Call option over non-controlling interests	(10,611)
Put option over non-controlling interests	1,605
Total consideration	26,056
Analysis of cash flows on acquisition:	
Net cash acquired	2,521
Cash paid	(35,062)
Net cash outflow (included in cash flows from investing activities)	(32,541)

4. BUSINESS COMBINATIONS (Continued)

Acquisition of NICAM A/S (Continued)

From the date of acquisition, NICAM has contributed HK$86,747,000 to the Group's revenue and HK$7,469,000 to the consolidated profit for the year ended 31 December 2015. If the acquisition had taken place at the beginning of the year, the revenue of the Group and the consolidated profit of the Group for the year would have been HK$ 6,951,131,000 and HK$ 202,672,000, respectively.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of NICAM with those of the Group. The goodwill is not deductible for income tax purposes.

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK$9,920,000 and HK$3,009,000, respectively.

The Group incurred transaction costs of HK$988,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

5. OPERATING SEGMENT INFORMATION

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

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

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

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

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

5. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2015

	Strollers and accessories (HK$'000)	Car seats and accessories (HK$'000)	Other durable juvenile products (HK$'000)	Consolidated (HK$'000)
Segment revenue				
Sales to external customers	2,041,009	2,831,584	2,078,538	6,951,131
Segment results	567,780	1,052,235	430,197	2,050,212
Reconciliation:				
Other income				94,881
Corporate and other unallocated expenses				(1,824,446)
Other expenses				(3,062)
Finance costs				(60,466)
Finance income				7,246
Share of losses of a joint venture				(30)
Share of losses of an associate				(8)
Profit before tax				264,327
Other segment information:				
Impairment losses recognised in the statement of profit or loss	10,744	6,319	10,385	27,448
Depreciation and amortisation	92,584	46,419	52,807	191,810

5. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2014

	Strollers and accessories (HK$'000)	Car seats and accessories (HK$'000)	Other durable juvenile products (HK$'000)	Consolidated (HK$'000)
Segment revenue:				
Sales to external customers	2,366,549	1,747,555	2,001,488	6,115,592
Segment results	604,450	572,170	350,915	1,527,535
Reconciliation:				
Other income				97,147
Corporate and other unallocated expenses				(1,479,326)
Other expenses				(3,234)
Finance costs				(48,110)
Finance income				8,606
Share of losses of a joint venture				(31)
Profit before tax				102,587
Other segment information:				
Impairment losses recognised in the statement of profit or loss	23,419	—	4,247	27,666
Impairment losses reversed in the statement of profit or loss	—	2,102	—	2,102
Depreciation and amortisation	76,124	37,019	43,735	156,878

5. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

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

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

5. OPERATING SEGMENT INFORMATION (Continued)

Information about a major customer

Details of revenue from sales to a major customer of 3rd party accounting for 10% or more of the total net sales or more of the total net sales of the Group are as followings, except a related party disclosed in note 38 (b).

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

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

6. REVENUE, OTHER INCOME AND GAINS

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

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

6. REVENUE, OTHER INCOME AND GAINS (Continued)

Note (a): The amount represents subsidies received from local government authorities in connection with certain financial support to local business enterprises. These government subsidies mainly comprised subsidies for export activities, subsidies for development, and other miscellaneous subsidies and incentives for various purposes.

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

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

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

7. FINANCE INCOME

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

8. FINANCE COSTS

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

9. PROFIT BEFORE TAX

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

	2015 (HK$'000)	2014 (HK$'000)
Cost of inventories sold	**4,900,919**	4,803,516
Cost of services provided	**805**	1,391
Depreciation of items of property, plant and equipment	**173,842**	139,722
Amortisation of intangible assets	**19,370**	14,923
Amortisation of land lease payments	**2,228**	2,233
Research and development costs ("R&D")	**312,479**	240,146
Lease payments under operating leases in respect of properties	**83,200**	81,288
Auditors' remuneration	**8,384**	8,106
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	**1,119,454**	1,169,881
Pension scheme contributions	**35,780**	38,268
Pension scheme costs (defined benefit plans) (including administrative expense)	**2,078**	575
Share option expense	**12,714**	10,528
	1,170,026	1,219,252
Transaction costs for acquisitions of subsidiaries	**988**	64,428
Net foreign exchange gain	**(39,442)**	(650)
Impairment of trade receivables	**—**	6,510
Write-down of inventories	**28,092**	19,054
Product warranties and liabilities	**33,031**	18,161
Reversal of impairment of receivables	**(644)**	—
Net fair value gains on derivative instruments not qualifying as hedges	**(426)**	(29,077)
Loss on disposal of items of property, plant and equipment	**2,465**	318
Bank interest income	**(7,246)**	(8,606)

10. DIRECTORS' REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015 (HK$'000)	2014 (HK$'000)
Fees	**1,505**	1,430
Other emoluments:		
Salaries, allowances and benefits in kind	**18,727**	17,699
Performance-related bonuses	**6,002**	5,015
Pension scheme contributions	**178**	12
	24,907	22,726
	26,412	24,156

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2015 (HK$'000)	2014 (HK$'000)
Iain Ferguson BRUCE	**388**	357
SHI Xiaoguang	**256**	247
CHIANG Yun*	**256**	231
	900	835

* The Board announced the resignation of Mr. Long Yongtu as an independent non-executive director, effect from 18 March 2014. Ms. Chiang Yun has been appointed in place of Mr. Long with effect from 18 March 2014.

There were no other emoluments payable to the independent non-executive directors in 2015 (2014: Nil).

10. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors and non-executive directors

2015

	Fees (HK$'000)	Salaries, allowances and benefits in kind (HK$'000)	Performance-related bonuses (HK$'000)	Pension scheme contributions (HK$'000)	Total remuneration (HK$'000)
Executive directors:					
SONG Zhenghuan	—	7,496	—	—	7,496
WANG Haiye	—	4,109	1,491	12	5,612
Michael, Qu Nan	—	3,163	1,938	60	5,161
Martin POS	—	3,959	2,573	106	6,638
	—	18,727	6,002	178	24,907
Non-executive director:					
ERIC, Ho Kwok Yin	605	—	—	—	605

2014

	Fees (HK$'000)	Salaries, allowances and benefits in kind (HK$'000)	Performance-related bonuses (HK$'000)	Pension scheme contributions (HK$'000)	Total remuneration (HK$'000)
Executive directors:					
SONG Zhenghuan	—	7,616	—	—	7,616
WANG Haiye	—	4,174	—	12	4,186
Michael, Qu Nan**	—	3,089	1,939	—	5,028
Martin POS**	—	2,820	3,076	—	5,896
	—	17,699	5,015	12	22,726
Non-executive director:					
ERIC, Ho Kwok Yin	595	—	—	—	595

** The Board announced the appointment of Mr. Martin POS and Mr. Michael, Qu Nan as executive directors, with effect from 23 April 2014 and 18 March 2014, respectively.

There was no arrangement under which a director waived or agreed to waive any remuneration in 2015 (2014: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors (2014: four), details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining one (2014: one) non-director, highest paid employee for the year are as follows:

	2015 (HK$'000)	2014 (HK$'000)
Salaries, allowances and benefits in kind	**4,109**	3,447
Performance related bonus	**1,429**	—
Pension scheme contributions	**93**	94
	5,631	3,541

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2015	2014
HK$3,000,001 to 3,500,000	**1**	1
	1	1

None of the directors or highest paid employees was paid by the Group as an inducement to join or upon joining the Group or as compensation for loss of office (2014: none).

12. INCOME TAX

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

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

State income tax and federal income tax of the Group's subsidiary in the United States have been provided for at rates of state income tax and federal income tax on the estimated assessable profits of the subsidiary during the year. The state income tax rates are 5% and 9.99% in the respective states where the subsidiary operates, and the federal income tax rates range from 34% to 35% on a progressive basis.

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

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

12. INCOME TAX (Continued)

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

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

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

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

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

	2015 (HK$'000)	2014 (HK$'000)
PRC current income tax	**19,002**	13,683
United States state and federal income taxes	**6,566**	3,147
Japan income tax	**39**	24
Netherlands income tax	**39**	96
Hong Kong profits tax	**3,009**	12,778
German income tax	**63,481**	19,219
Denmark income tax	**2,294**	—
Deferred income tax (note 31)	**(32,775)**	(1,402)
Income tax expense reported in the statement of profit or loss	**61,655**	47,545

12. INCOME TAX (Continued)

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

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

13. DIVIDENDS

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

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

14. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,104,079,000 in issue during the year (2014: 1,093,783,000).

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

The calculation of earnings per share is based on:

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

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

15. PROPERTY, PLANT AND EQUIPMENT

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	362,610	342,259	5,157	135,830	29,037	46,060	920,953
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	324,076	369,587	3,335	116,608	28,923	36,240	878,769
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	324,076	369,587	3,335	116,608	28,923	36,240	878,769

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

31 December 2014

	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 2013 and at 1 January 2014:							
Cost	494,739	654,555	11,525	202,590	40,755	4,974	1,409,138
Accumulated depreciation	(201,858)	(370,868)	(5,060)	(91,918)	(31,525)	—	(701,229)
Net carrying amount	292,881	283,687	6,465	110,672	9,230	4,974	707,909
At 1 January 2014, net of accumulated depreciation	292,881	283,687	6,465	110,672	9,230	4,974	707,909
Additions	2,948	55,918	477	60,578	6,454	33,143	159,518
Acquisition of subsidiaries	89,499	58,109	233	20,587	19,117	16,124	203,669
Disposals	(50)	(2,335)	(63)	(493)	—	—	(2,941)
Depreciation provided during the year	(24,349)	(55,242)	(1,928)	(53,666)	(4,537)	—	(139,722)
Transfers	2,742	4,821	—	—	—	(7,563)	—
Translation adjustments	(1,061)	(2,699)	(27)	(1,848)	(1,227)	(618)	(7,480)
At 31 December 2014, net of accumulated depreciation	362,610	342,259	5,157	135,830	29,037	46,060	920,953
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	362,610	342,259	5,157	135,830	29,037	46,060	920,953

16. PREPAID LAND LEASE PAYMENTS

	2015 (HK$'000)	2014 (HK$'000)
At beginning of year	**65,449**	67,916
Amortisation	**(2,228)**	(2,233)
Translation adjustments	**(3,613)**	(234)
At end of year	**59,608**	65,449

17. GOODWILL

	HK$'000 (Restated)
Cost and net carrying amount at 1 January 2014	16,406
Acquisition of subsidiaries	848,470
Exchange realignment	(27,159)
Cost and net carrying amount at 31 December 2014 and 1 January 2015	837,717
Acquisition of a subsidiary (note 4)	5,692
Exchange realignment	(23,790)
Cost and net carrying amount at 31 December 2015	819,619

Acquisition of WP Evenflo Group Holdings, Inc. and its subsidiaries

On 22 July 2014, the Group acquired 100% of the equity of WP Evenflo Group Holdings, Inc. ("Evenflo") and its subsidiaries at cash of US$143,041,667 (equal to HK$1,108,792,000). Goodwill of HK$581,419,000 was initially recorded based on a preliminary allocation of the purchase consideration as at the acquisition date. The use of provisional amounts was required in estimating the fair value of long-term product liability obligations included in the provisions account in the consolidated statement of financial position as at the acquisition date because of the significant time lag between the occurrence of loss events (i.e. vehicle collisions) and notification of litigation in the United States of America. By the end of the measurement period subsequent to the acquisition, the Group reviewed all relevant information received about the facts and circumstances that existed at the acquisition date related to pre-acquisition loss events. The Group further evaluated and completed the initial accounting for the business combination of Evenflo. As a result, the Group recorded an increase to its long-term product liability obligation with a corresponding increase to goodwill as if the initial accounting had been completed on the acquisition date. A reconciliation of the preliminary goodwill and provision values of the Group to their adjusted values as at 31 December 2014 is set out below:

	The Group (as previously reported) HK$'000	**Adjustments HK$'000**	**The Group (as restated) HK$'000**
Non-current assets			
– Goodwill	808,385	29,332	837,717
Non-current liabilities			
– Provisions	53,860	29,332	83,192

17. GOODWILL (Continued)

Impairment testing of goodwill

Goodwill is allocated to the following cash-generating units ("CGU") for impairment testing:

	2015 (HK$'000)	2014 (HK$'000) (Restated)
Manufacture and export of stroller-related products unit	**14,928**	15,784
Evenflo unit	**610,675**	611,117
Columbus unit	**188,324**	210,816
NICAM	**5,692**	—
	819,619	837,717

Manufacture and export of stroller-related products unit

The recoverable amount of manufacture and export of stroller-related products unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. A declining growth rate was used to extrapolate the cash flows beyond the five-year period. The pre-tax discount rate applied to the cash flow projections as at 31 December 2015 was 14.0% (2014: 14.0%).

Evenflo unit

The recoverable amount of Evenflo unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. A declining growth rate was used to extrapolate the cash flows beyond the five-year period. The pre-tax discount rate applied to the cash flow projections as at 31 December 2015 was 13.8% (2014:10%).

Columbus unit

The recoverable amount of Columbus unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. A declining growth rate was used to extrapolate the cash flows beyond the five-year period. The pre-tax discount rate applied to the cash flow projections as at 31 December 2015 was 14.5% (2014: 11.5%).

17. GOODWILL (Continued)

NICAM

The recoverable amount of NICAM has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. A declining growth rate was used to extrapolate the cash flows beyond the five-year period. The pre-tax discount rate applied to the cash flow projections as at 31 December 2015 was 14.7% (2014: Nil).

Key assumptions used in the value in use calculation

Assumptions were used in the value in use calculation of the above cash-generating units for each reporting date. The following describes each key assumption on which senior management has based its cash flow projections to undertake impairment testing of goodwill:

"Budgeted gross margins" — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

"Discount rate" — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to key assumptions are consistent with external information sources.

18. OTHER INTANGIBLE ASSETS

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	521,722	10,323	5,588	120,525	53,751	711,909
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	(38,715)	(621)	(565)	(7,389)	(4,377)	(51,667)
At 31 December 2015, net of accumulated depreciation	485,959	16,212	3,781	129,681	46,623	682,256
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	485,958	16,212	3,781	129,681	46,624	682,256

18. OTHER INTANGIBLE ASSETS (Continued)

31 December 2014

	Trademarks (HK$'000)	Computer software (HK$'000)	Non-compete agreement (HK$'000)	Customer relationship (HK$'000)	Patents (HK$'000)	Total (HK$'000)
At 1 January 2014 (restated):						
Cost	32,848	14,008	—	—	—	46,856
Accumulated amortisation	(21,988)	(6,304)	—	—	—	(28,292)
Net carrying amount	10,860	7,704	—	—	—	18,564
At 1 January 2014, net of accumulated amortisation	10,860	7,704	—	—	—	18,564
Additions	3,462	5,040	—	—	—	8,502
Acquisition of subsidiaries	555,434	1,423	7,689	131,611	63,106	759,263
Amortisation provided during the year	(2,002)	(3,417)	(168)	(5,348)	(3,988)	(14,923)
Translation adjustments	(46,032)	(427)	(1,933)	(5,738)	(5,367)	(59,497)
At 31 December 2014, net of accumulated depreciation	521,722	10,323	5,588	120,525	53,751	711,909
At 31 December 2014:						
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	521,722	10,323	5,588	120,525	53,751	711,909

19. OTHER LONG-TERM ASSETS

Other long-term assets represents a call option over non-controlling interests of HK$3,637,000 (2014: Nil) arising from the acquisition of NICAM A/S (note 4).

20. INVENTORIES

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

21. TRADE AND NOTES RECEIVABLES

	2015 (HK$'000)	2014 (HK$'000)
Trade receivables	**699,039**	974,383
Notes receivable	**2,507**	6,792
	701,546	981,175
Impairment of the trade receivables	**(5,947)**	(7,866)
	659,599	973,309

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

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

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

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

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

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

21. TRADE AND NOTES RECEIVABLES (Continued)

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

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

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

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

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

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

22. PREPAYMENTS AND OTHER RECEIVABLES

	2015 (HK$'000)	2014 (HK$'000)
Prepayments	**50,034**	108,505
Other receivables	**93,595**	84,246
	143,629	192,751

The above balances are unsecured, interest-free and have no fixed terms of repayment.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

23. AVAILABLE-FOR-SALE INVESTMENTS

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

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

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

24. CASH AND CASH EQUIVALENTS

	2015 (HK$'000)	2014 (HK$'000)
Cash and bank balances	**705,291**	434,661
Time deposits	**2,726**	50,723
Pledged time deposits	**27,199**	165,807
	735,216	651,191
Less: Time deposits	**2,726**	50,723
Pledged time deposits:		
Pledged for short term bank loans	**27,199**	165,807
Cash and cash equivalents	**705,291**	434,661
Denominated in RMB	**146,971**	312,023
Denominated in HK$	**2,241**	4,652
Denominated in EUR	**32,268**	72,918
Denominated in USD	**524,956**	257,936
Denominated in other currencies	**28,780**	3,662
Cash and bank balances	**735,216**	651,191

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

25. DERIVATIVE FINANCIAL INSTRUMENTS

	2015 (HK$'000)	2014 (HK$'000)
Forward currency contracts	**421**	26,797

The Group uses forward currency contracts to manage some of its transaction exposures. These forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. These forward currency contracts will mature within the next twelve months.

26. TRADE AND BILLS PAYABLES

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

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

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

27. OTHER PAYABLES, ADVANCES FROM CUSTOMERS AND ACCRUALS

	2015 (HK$'000)	2014 (HK$'000)
Other payables	**84,574**	84,561
Advances from customers	**76,441**	48,130
Accruals	**302,914**	300,679
	463,929	433,370

The above balances are non-interest-bearing and repayable on demand.

28. PROVISION

	Product warranties and liabilities (HK$'000)
Balance at 1 January 2014	8,541
Additional provision	18,161
Addition from acquisition	89,391
Amounts utilised	(11,639)
Translation adjustments	(174)
Balance at 31 December 2014 and 1 January 2015	104,280
Additional provision	33,031
Amounts utilised	(26,007)
Translation adjustments	4,781
Balance at 31 December 2015	116,085
Portion classified as current liabilities	37,353
Non-current portion	78,732

The Group provides warranties to its customers on certain of its products, under which faulty products are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

In addition, the Group estimates future cash outflows in relation to the indemnity provided to its customers for damages or injuries caused in connection with the use of the Group's sold products. The amount of cash outflows is estimated based upon an annual review by management of the Group with pattern of past experience of how the Group discharges its obligation.

29. INTEREST-BEARING BANK BORROWINGS AND OTHER BORROWINGS

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

29. INTEREST-BEARING BANK BORROWINGS AND OTHER BORROWINGS (Continued)

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

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

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

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

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

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

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

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

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

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

	2015 (HK$'000)	2014 (HK$'000)
Analysed into:		
Bank loans repayable:		
Within one year	**691,700**	1,496,078
In the second year	**49,413**	1,673
In the third year to fifth year, inclusive	**651,930**	228,133
Beyond the fifth year	**304,575**	532,312
	1,697,618	2,258,196

30. DEFINED BENEFIT PLAN LIABILITIES

(1) ERA plan

The Group operates a defined benefit plan named the Evenflo Retirement Account plan ("ERA Plan") in the United States. This non-contributory ERA Plan was frozen with effect from 31 August 2002 and no further benefit credits were earned after 31 July 2002. No new employees have been added to the ERA Plan since this date. For benefits earned prior to this date, the plan provides employees with pension benefits that are either based on age and compensation or are based on stated amounts for each year of service.

The ERA Plan is a final salary plan, which requires contributions to be made to a separately administered fund. The plan has the legal form of a foundation and it is administrated by independent trustees with the assets held separately from those of the Group. The trustees are responsible for the determination of the investment strategy of the plan.

The trustees review the level of funding in the plan by the end of each reporting period. Such a review includes the asset-liability matching strategy and investment risk management policy. This includes employing the use of annuities and longevity swaps to manage the risks. The trustees decide the contribution based on the results of the annual review. The investment portfolio targets a mix of 60-65% in equity and property and 35-40% in debt instruments.

The plan is exposed to interest rate risk, the risk of changes in the life expectancy for pensioners and equity market risk.

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligations were carried out at 31 December 2015 by an independent actuary, a member of the Society of Actuaries in the United States, using the projected unit credit actuarial valuation method.

The principal actuarial assumption used as at the end of the reporting period are as follows:

	2015	2014
Discount rate (%)	**3.95%**	3.60%

The actuarial valuation showed that the market value of plan assets was HK$104,140,000 and that the actuarial value of these assets represented 95% of the benefits that had accrued to qualifying employees. The deficiency of HK$5,914,000 is expected to be cleared over the remaining weighted average duration of the benefit obligation of 9.94 years.

30. DEFINED BENEFIT PLAN LIABILITIES (Continued)

(1) ERA plan (Continued)

A quantitative sensitivity analysis for the significant assumption as at the end of the reporting period is shown below:

	Increase in rate %	Increase/ (decrease) in defined benefit obligations (HK$'000)	Decrease in rate %	Increase/ (decrease) in defined benefit obligations (HK$'000)
2015				
Discount rate	**0.5**	**(4,587)**	**0.5**	**4,984**
2014				
Discount rate	0.5	(5,172)	0.5	5,645

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in the key assumption occurring at the end of the reporting period.

The total expenses recognised in the consolidated statement of profit or loss in respect of the plan are as follows:

	2015 (HK$'000)	2014 (HK$'000)
Interest cost	**116**	404
Administrative expenses	**1,605**	—
Net benefit expenses	**1,721**	404
Administrative expenses relating to plan assets' management	**1,721**	404

The movements in the present value of the defined benefit obligations are as follows:

	2015 (HK$'000)	2014 HK$'000
Assets at 1 January	**(118,859)**	—
Addition from acquisition	—	(113,182)
Interest cost	**(4,124)**	(1,815)
Benefit paid	**9,209**	2,947
Remeasurement effects recognised in OCI	**3,635**	(6,728)
Exchange differences on a foreign plan	**85**	(81)
Liabilities at 31 December	**(110,054)**	(118,859)

30. DEFINED BENEFIT PLAN LIABILITIES (Continued)

(1) ERA plan (Continued)

The movements in the defined benefit obligations and the fair value of plan assets are as follows:

2015

	Cost charged to profit or loss					Remeasurement gains/(losses) in other comprehensive income						
	1 January 2015 (HK$'000)	Administrative expense (HK$'000)	Net interest expense/ (investment income) (HK$'000)	Sub-total included in profit or loss (HK$'000)	Benefit paid (HK$'000)	Return on plan assets (excluding amounts included in net interest expense) (HK$'000)	Actuarial changes arising from changes in demographic assumptions (HK$'000)	Actuarial changes arising from changes in financial assumptions (HK$'000)	Experience adjustments (HK$'000)	Sub-total included in other comprehensive income (HK$'000)	Exchange differences (HK$'000)	31 December 2015 (HK$'000)
Defined benefit obligations	(118,859)	–	(4,124)	(4,124)	9.209	–	(171)	3,008	798	3,635	85	(110,054)
Fair value of plan assets	116,230	(1,605)	4,008	2,403	(9,209)	(5,201)	–	–	–	(5,201)	(83)	104,140
Benefit liability	(2,629)	(1,605)	(116)	(1,721)	–	(5,201)	(171)	3,008	798	(1,566)	2	(5,914)

2014

	Cost charged to profit or loss					Remeasurement gains/(losses) in other comprehensive income						
	1 January 2014 (HK$'000)	Addition from acquisition (HK$'000)	Net interest expense/ (inventment income) (HK$'000)	Sub-total included in profit or loss (HK$'000)	Benefit paid (HK$'000)	Return on plan assets (excluding amounts included in net interest expense) (HK$'000)	Actuarial changes arising from changes in demographic assumptions (HK$'000)	Actuarial changes arising from changes in financial assumptions (HK$'000)	Experience adjustments (HK$'000)	Sub-total included in other comprehensive income (HK$'000)	Exchange differences (HK$'000)	31December 2014 (HK$'000)
Defined benefit obligations	–	(113,182)	(1,815)	(1,815)	2,947	–	(6,359)	(1,388)	1,019	(6,728)	(81)	(118,859)
Fair value of plan assets	–	117,724	1,411	1,411	(2,947)	(39)	–	–	–	(39)	81	116,230
Benefit liability	–	4,542	(404)	(404)	–	(39)	(6,359)	(1,388)	1,019	(6,767)	–	(2,629)

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30. DEFINED BENEFIT PLAN LIABILITIES (Continued)

(1) ERA plan (Continued)

The major categories of the fair value of the total plan assets are as follows:

	2015 (HK$'000)	2014 (HK$'000)
Equity instruments, quoted in an active market	**67,037**	77,006
Debt instruments	**32,693**	35,447
Cash and cash equivalents	**4,410**	3,777

The average duration of the defined benefit obligations at the end of the reporting period was 9.94 years.

(2) Post-retirement benefit obligations

Post-retirement healthcare and life insurance benefits are provided for U.S. retired employees and their dependents. Substantially all of the Group's U.S. employees may become eligible for those benefits if they reach the normal retirement age while working for the Company. The Group does not fund retiree healthcare benefits in advance and has the right to modify these plans in the future. There have been no changes in the plan provisions in 2015.

Key assumptions used in the accounting for postretirement benefits are summarised below.

	2015	2014
Discount rate (%)	**3.8**	3.5
Current healthcare cost trend rate (%)	**7.3**	7.5
Ultimate healthcare cost trend rate (%)	**5.0**	5.0

A quantitative sensitivity analysis for significant assumptions as at the end of the reporting period is shown below:

	Increase in rate %	Increase/(decrease) in defined benefit obligations (HK$'000)	Decrease in rate %	Increase/(decrease) in defined benefit obligations (HK$'000)
2015				
Discount rate	**0.5**	**(357)**	**0.5**	**388**
Healthcare trend rate	**1.0**	**256**	**1.0**	**(318)**
2014				
Discount rate	0.5	(450)	0.5	489
Healthcare trend rate	1.0	264	1.0	(333)

30. DEFINED BENEFIT PLAN LIABILITIES (Continued)

(2) Post-retirement benefit obligations (Continued)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The total expenses recognised in the consolidated statement of profit or loss in respect of the plan are as follows:

	2015 (HK$'000)	2014 (HK$'000)
Interest cost	**357**	171
Net benefit cost	**357**	171
Recognised in administrative expenses	**357**	171

The movements in the present value of the defined benefit obligations are as follows:

	2015 (HK$'000)	2014 (HK$'000)
At 1 January	**(10,551)**	—
Acquisition of subsidiaries	—	(10,704)
Interest cost	**(357)**	(171)
Remeasurement effects recognised in OCI	**1,891**	256
Benefits paid directly by the Group	**240**	78
Exchange differences on a foreign plan	**10**	(10)
At 31 December	**(8,767)**	(10,551)

30. DEFINED BENEFIT PLAN LIABILITIES (Continued)

(2) Post-retirement benefit obligations (Continued)

The movements in the defined benefit obligations and the fair value of plan assets are as follows:

2015

	Cost charged to profit or loss					Remeasurement gains/(losses) in other comprehensive income					
	1 January 2015 (HK$'000)	Addition from acquisition (HK$'000)	Net interest expense (HK$'000)	Sub-total included in profit or loss (HK$'000)	Benefit paid (HK$'000)	Actuarial changes arising from changes in demographic assumptions (HK$'000)	Actuarial changes arising from changes in financial assumptions (HK$'000)	Experience adjustments (HK$'000)	Sub-total included in other comprehensive income (HK$'000)	Exchange differences (HK$'000)	31December 2015 (HK$'000)
Benefit obligations	(10,551)	–	(357)	(357)	240	209	721	961	1,891	10	(8,767)
Benefit liability	(10,551)	–	(357)	(357)	240	209	721	961	1,891	10	(8,767)

2014

	Cost charged to profit or loss					Remeasurement gains/(losses) in other comprehensive income					
	1 January 2014 (HK$'000)	Addition from acquisition (HK$'000)	Net interest expense (HK$'000)	Sub-total included in profit or loss (HK$'000)	Benefit paid (HK$'000)	Actuarial changes arising from changes in demographic assumptions (HK$'000)	Actuarial changes arising from changes in financial assumptions (HK$'000)	Experience adjustments (HK$'000)	Sub-total included in other comprehensive income (HK$'000)	Exchange differences (HK$'000)	31 December 2014 (HK$'000)
Benefit obligations	–	(10,704)	(171)	(171)	78	(752)	527	481	256	(10)	(10,551)
Benefit liability	–	(10,704)	(171)	(171)	78	(752)	527	481	256	(10)	(10,551)

31. DEFERRED TAX

The movements in deferred tax assets and liabilities of the Group during the year are as follows:

Deferred tax assets:

	Provision for impairment of receivables (HK$'000)	Write-down of inventories (HK$'000)	Provision (HK$'000)	Accruals (HK$'000)	Losses available for offsetting against future taxable profits (HK$'000)	Depreciation (HK$'000)	Derivative financial instruments (HK$'000)	Unrealised profit (HK$'000)	Insurance deposit (HK$'000)	Pension and post-retirement benefits (HK$'000)	Foreign tax credit (HK$'000)	Others (HK$'000)	Total (HK$'000)
As at 1 January 2014	100	4,344	1,504	8,322	242	308	–	–	–	–	–	–	14,820
Acquisition of subsidiaries	473	–	–	41,593	419	381	–	–	1,480	2,232	70	1,686	48,334
Credited/(charged) to profit or loss (note 12)	1,646	980	(244)	(13,242)	4,331	1,620	–	–	–	(2,016)	(70)	(901)	(7,896)
Translation adjustments	5	(15)	(7)	(733)	423	(408)	–	–	1	1	–	23	(710)
As at 31 December 2014 and 1 January 2015	2,224	5,309	1,253	35,940	5,415	1,901	–	–	1,481	217	–	808	54,548
Credited/(charged) to profit or loss (note 12)	1,382	4,336	862	8,521	1,325	1,233	283	14,550	(1,481)	612	–	(78)	31,545
Translation adjustments	(619)	(457)	(106)	(449)	(367)	(160)	(4)	(48)	–	–	–	(49)	(2,259)
As at 31 December 2015	2,987	9,188	2,009	44,012	6,373	2,974	279	14,502	–	829	–	681	83,834

The Group has tax losses arising in Germany of HK$15,826,000 (2014: HK$11,908,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

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31. DEFERRED TAX (Continued)

Deferred tax liabilities:

	Withholding tax on undistributed profits (HK$'000)	Derivative financial instruments (HK$'000)	Inventory valuation differences (HK$'000)	Depreciation (HK$'000)	R&D expenses (HK$'000)	Fair value adjustments arising from put/call options (HK$'000)	Prepaid expenses (HK$'000)	Receivable valuation differences (HK$'000)	Other intangible assets (HK$'000)	Total (HK$'000)
At 1 January 2014	(19,159)	–	–	–	–	–	–	–	–	(19,159)
Addition from acquisition	–	–	(2,015)	(9,247)	(2,852)	–	–	–	(248,160)	(262,274)
(Charged)/credited to profit or loss (note 12)	–	(8,723)	913	8,491	2,854	–	–	–	5,763	9,298
Translation adjustments	65	684	86	(4)	(2)	–	–	–	17,194	18,023
At 31 December 2014 and 1 January 2015	(19,094)	(8,039)	(1,016)	(760)	–	–	–	–	(225,203)	(254,112)
Addition from acquisition	–	–	–	–	–	–	–	–	(6,267)	(6,267)
(Charged)/credited to profit or loss (note 12)	–	7,158	(1,386)	(6,380)	–	(2,690)	(62)	(120)	4,709	1,229
Translation adjustments	1,114	746	123	40	–	34	–	9	15,199	17,265
At 31 December 2015	(17,980)	(135)	(2,279)	(7,100)	–	(2,656)	(62)	(111)	(211,562)	(241,885)

Pursuant to the EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings generated after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. The applicable tax rate of the Group is 10%.

Pursuant to the Board resolutions of GCPC, PCPC and GCPN, all of which are directly or indirectly controlled by GBHK, profits earned by the aforesaid subsidiaries in 2015 will not be appropriated to GBHK in 2015 and onwards. Hence, the deferred tax liability arising from the withholding tax on profits generated by the aforesaid companies in the current year is not applicable as of 31 December 2015.

At 31 December 2015, other than the amount recognised in the consolidated financial statements, deferred tax has not been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such remaining earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised is HK$763,838,000 at 31 December 2015 (2014: HK$669,227,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

31. DEFERRED TAX (Continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2015 (HK$'000)	2014 (HK$'000)
Reflected in the consolidated statement of financial position:		
– Deferred tax assets	**43,092**	20,249
– Deferred tax liabilities	**(201,141)**	(219,813)

Deferred tax assets have not been recognised in respect of the following items:

	2015 (HK$'000)	2014 (HK$'000)
Tax losses	**248,161**	258,553
Foreign tax credit	**14,639**	37,180
Provision	**10,932**	26,790
Post-retirement benefits	**2,407**	4,820
Others	**2,416**	5,659
	278,555	333,002

The above tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

32. OTHER LIABILITIES

Included in other liabilities are a put option over non-controlling interests of HK$6,578,000 (2014: Nil) arising from the acquisition of NICAM A/S (note 4) and employee worker injury compensation of HK$3,999,000 (2014: HK$9,041,000) of overseas subsidiaries.

33. SHARE CAPITAL

	As at 31 December 2015	As at 31 December 2014
Issued and fully paid:	**(HK$'000)**	(HK$'000)
1,108,598,000 (2014: 1,100,971,700) ordinary shares	**11,086**	11,010

33. SHARE CAPITAL (Continued)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue ('000)	Share capital (HK$'000)	Share premium (HK$'000)	Total (HK$'000)
At 1 January 2014	1,005,409	10,054	857,597	867,651
Issuance of shares	95,461	955	325,521	326,476
Share options exercised (note (a))	102	1	290	291
Difference between proposed and declared 2013 dividend	—	—	(2)	(2)
At 31 December 2014 and 1 January 2015	1,100,972	11,010	1,183,406	1,194,416
Issuance of shares((note (a))	4,539	45	15,479	15,524
Share options exercised (note (b))	3,087	31	9,193	9,224
Difference between proposed and declared 2014 dividend	—	—	—	—
At 31 December 2015	1,108,598	11,086	1,208,078	1,219,164

Note:

(a) On 27 January 2014, the Group acquired the entire issued share capital in Columbus Holding GmbH at a consideration of EUR70,711,539 (equivalent to approximately HK$751,070,000), to be settled in cash as to the amount of EUR38,513,000 (equivalent to approximately HK$409,070,000) and by the issue of 100,000,000 new shares to the Sellers as to the amount of EUR32,198,539 (equivalent to approximately HK$342,000,000). 95,460,700 new shares were issued to the Sellers on 30 January 2014. The remaining 4,539,300 shares were allotted and issued to the Sellers on 31 August 2015, at an issue price of HK$3.42 per rights share, resulting in the issue of 4,539,300 shares for a total cash consideration, before expenses, of HK$15,524,406.

(b) The subscription rights attached to 3,087,000 share options were exercised at the subscription price of HK$2.12 per share (note 34), resulting in the issue of 3,087,000 shares for a total cash consideration, before expenses, of HK$6,544,440. An amount of HK$2,680,000 was transferred from the share option reserve to share capital upon the exercise of the share option.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 34 to the financial statements.

34. SHARE OPTION SCHEME

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

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

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

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

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

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

34. SHARE OPTION SCHEME (Continued)

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

	Weighted average exercise price HK$ per share	Number of options '000
At 1 January 2014	2.120	22,555
Granted during the year	3.580	53,420
Forfeited during the year	2.120	(16)
Exercised during the year	2.120	(102)
At 31 December 2014 and 1 January 2015	3.148	75,857
Granted during the year	3.750	25,850
Forfeited during the year	3.488	(10,691)
Exercised during the year	2.120	(3,087)
At 31 December 2015		87,929

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

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

2015

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

34. SHARE OPTION SCHEME (Continued)

2014

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

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

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

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

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The 3,087,000 share options exercised during the year resulted in the issue of 3,087,000 ordinary shares of the Company and new share capital of HK$30,870 and share premium of HK$9,193,090 (before issue expenses), as further detailed in note 33 to the financial statements.

34. SHARE OPTION SCHEME (Continued)

At the end of the reporting period, the Company had 87,928,500 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 87,928,500 additional ordinary shares of the Company and additional share capital of HK$879,285, and share premium of HK$291,028,635 (before issue expenses).

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

35. RESERVES

The changes in the reserves of the Group during the year have been disclosed in the consolidated statement of changes in equity of the Group.

Deferred shares reserve

As stated in note 33 (a), pursuant to the sale and purchase agreement in relation to the acquisition of entire issued share capital in Columbus Holding GmbH, 95,460,700 new shares were issued to the Sellers on 30 January 2014. If no claims (any claim under or in connection with the aforesaid agreement) have been notified to the Sellers' representatives by 18 months following the completion date (as defined in the aforesaid agreement), the remaining 4,539,300 shares will be allotted and issued to the Sellers on the date which is 18 months following the completion date.

On 31 August 2015, the remaining 4,539,300 shares were issued to the Sellers

Statutory reserve funds

Statutory reserve funds comprise:

(i) Reserve fund

PRC laws and regulations require wholly-owned foreign enterprises ("WOFE") to provide for the reserve fund by appropriating a part of the net profit (based on the entity's statutory accounts) before dividend distribution. Each subsidiary being WOFE is required to appropriate at least 10% of its net profit after tax to the reserve fund until the balance of this fund has reached 50% of its registered capital. The reserve fund can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital.

(ii) Enterprise expansion fund

In accordance with relevant regulations and the articles of association of the Group's PRC subsidiaries, appropriations from net profit should be made to the enterprise expansion fund, after offsetting accumulated losses from prior years, and before profit distributions to the investors for the subsidiaries registered in the PRC as foreign invested companies. The percentages to be appropriated to the enterprise expansion fund are determined by the boards of directors of the subsidiaries.

35. RESERVES (Continued)

Statutory reserve funds (Continued)

(iii) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the Group's PRC subsidiaries, a subsidiary registered in the PRC as a domestic company is required to appropriate 10% of its annual statutory net profit (after offsetting any prior years' losses) to the statutory surplus reserve. When the balance of this reserve fund reaches 50% of the entity's capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after these usages.

Merger reserve

As at 31 December 2015, the merger reserve represents:

(i) In 2001, the Group acquired GCPC from GCPC's then shareholders through the issue of the Company's shares to GCPC's then shareholders. The difference between the nominal value of the Company's share of the paid-up capital of GCPC and the par value of the Company's shares issued amounting to HK$108,281,000 was recognised in the merger reserve account;

(ii) In 2007, Geoby Electric Vehicle Co., Ltd. ("GPCL") was established to take over certain operations from the Group and the net asset value of the discontinued operation over the consideration received amounting to HK$1,362,000 was recognised as a deemed distribution in the merger reserve account;

(iii) The Group acquired the wooden products and E-car businesses through acquiring a 100% equity interest in PCPC in June 2010 and this acquisition was accounted for using the pooling of interests method. Prior to the establishment of PCPC on 5 November 2008, the wooden products and E-car businesses were carried out by a fellow subsidiary, GPCL. Upon establishment, PCPC acquired all the assets and liabilities related to the wooden products and E-car businesses from GPCL at their respective book values and continued the wooden products and E-car businesses afterwards. Accordingly, the retained earnings of HK$11,357,000 in respect of the wooden products and E-car businesses generated prior to the establishment of PCPC were capitalised in the merger reserve account in 2008; and

(iv) In 2010, the Group disposed of its equity interests in Goodbaby (China) Commercial Co., Ltd. ("GCCL"), Shanghai Goodbaby Fashion Co., Ltd. ("SHFS"), Shanghai Online Service Co., Ltd. ("SGOL"), Ricky Bright Limited ("RCBL"), Mothercare Goodbaby China Retail Limited ("MGCR") and Mothercare-Goodbaby Retailing Co., Ltd. ("MGRL") to G-Baby Holdings Limited ("GBHL") for a consideration of HK$287,936,000 in aggregate. The consideration over the net asset value of the discontinued operations amounting to HK$35,699,000 was recognised as a deemed contribution in the merger reserve account..

36. OPERATING LEASE ARRANGEMENTS

As lessee

	2015 (HK$'000)	2014 (HK$'000)
Within one year	**37,523**	55,699
After one year but not more than five years	**68,872**	93,307
More than five years	—	1,187
	106,395	150,193

37. COMMITMENTS

In addition to the operating lease commitments disclosed in note 36 above, the Group had the following commitment as at 31 December:

(a) Capital commitment

The Group had the following capital commitments:

	2015 (HK$'000)	2014 (HK$'000)
Contracted, but not provided for, in respect of acquisition of:		
Property, plant and equipment	**5,665**	1,779

(b) Other commitment

	2015 (HK$'000)	2014 (HK$'000)
Upfront fee of term loan facility	**5,488**	7,056

Pursuant to the term loan facility agreement in relation to the interest–bearing term loan facility of HK$760 million (note 29(j)) that was entered into between an overseas wholly-owned subsidiary and the financial institution, the Group shall pay to the financial institution an upfront fee equal to one percent of the loan amount, which shall be due and payable in five equal instalments of approximately HK$1.5 million per annum.

38. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Name and relationship

Name of related party	**Relationship with the Group**
Mr. Song Zhenghuan ("Mr. Song")	Director and one of the ultimate shareholders of the Company
Ms. Fu Jingqiu ("Ms. Fu")	One of the ultimate shareholders of the Company
Goodbaby Bairuikang Hygienic Products Co., Ltd. ("BRKH")	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
GCCL	Controlled by GBHL
SGCP	Controlled by MJSL
Goodbaby Group Pingxiang Co., Ltd. ("GGPX")	Controlled by GGCL

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38. 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 year:

	2015 (HK$'000)	2014 (HK$'000)
Sales of goods to a related party (note (a))		
GCCL#	**870,245**	812,910
Purchase of goods from a related party (note (b))		
GCCL#	**306**	176
Rental expense to a related party (note (c))		
GGPX#	**12,161**	11,636
GGCL#	**870**	884
	13,031	12,520
Expenses paid on behalf of related parties (note (d))		
GCCL#	**926**	1,039
SGCP#	**36**	58
	962	1,097
Expenses paid by a related party (note (d))		
BRKH#	**145**	339
Share option expenses		
Ms. Fu	—	1,160

Note (a): The sales of goods to the related party were made according to the prices and terms agreed with the related party.

Note (b): The purchase of goods from the related party was made according to the prices and terms agreed with the related party.

Note (c): The rental expense to a related party was paid according to the prices and terms agreed with the related party.

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

\# These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

38. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(c) Outstanding balance with a related party

	2015 (HK$'000)	2014 (HK$'000)
Amount due from a related party:		
GCCL	**303,758**	379,152

The amount due from a related party is unsecured, interest-free and repayable on demand.

(d) Compensation of key management personnel of the Group

	2015 (HK$'000)	2014 (HK$'000)
Short term employee benefits	**41,035**	30,730
Equity-settled share option expense	**6,062**	1,244
Post-employment benefits	**593**	175
Total compensation paid to key management personnel	**47,690**	32,149

Further details of directors' remuneration are included in note 10 to the financial statements.

39. 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:

	Carrying amounts		Fair values	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Financial assets				
Derivative financial instruments	**421**	26,797	**421**	26,797
Other long-term assets - call option over non-controlling interests	**3,637**	—	**3,637**	—
Available-for-sale investments	**310,347**	206,389	**310,347**	206,389
	314,405	233,186	**314,465**	233,186

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

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 borrowings and other borrowings, 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 borrowings and other borrowings 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.

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 derivative financial instruments with various counterparties, principally financial institutions with high credit ratings. Derivative financial instruments, i.e. 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.

As at 31 December 2015, 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.

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Below is a summary of significant unobservable inputs to the valuation of wealth investment products together with a quantitative sensitivity analysis as at 31 December 2015 and 2014:

Financial instrument	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value of the input HK$'000
Available-for-sale investments	Discount cash flow method	Expected rate of return	2015: 1.49% to 4.00% (2014: 2.45% to 3.80%)	5% increase (decrease) in expected rate of return would result in increase (decrease) in fair value by HK$19 (HK$19) (2014:HK$16 (HK$16))

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		
	31 December 2015 (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)
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
	314,405	—	421	313,984

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

		Fair value measurement using		
	31 December 2014 (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)
Financial assets at fair value through profit or loss				
– Forward currency contracts	26,797	—	26,797	—
Available-for-sale investments	206,389	—	—	206,389
	233,186	—	26,797	206,389

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

	2015 (HK$'000)	2014 (HK$'000)
Available-for-sale investments		
At 1 January	**206,389**	127,830
Purchases	**1,229,838**	3,254,717
Disposals	**(1,109,105)**	(3,176,068)
Exchange realignment	**(16,775)**	(90)
	310,347	206,389

During the year ended 31 December 2015, 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.

The Company did not have any financial assets and liabilities measured at fair value as at 31 December 2014 and 2015.

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

		Fair value measurement using		
	31 December 2015 (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	**6,578**	—	—	**6,578**
Interest-bearing bank borrowings and other borrowings	**1,697,618**	—	**1,697,618**	—
	1,704,196	—	**1,697,618**	**6,578**

		Fair value measurement using		
	31 December 2014 (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)
Interest-bearing bank borrowings and other borrowings	2,258,196	—	2,258,196	—

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40. 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 31 December 2015

	Financial assets at fair value through profit of 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 (note 22)	—	—	**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 (note 19)	**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**
	4,058	**310,347**	**1,828,798**	**2,143,203**

As at 31 December 2014

	Financial assets at fair value through profit of loss (HK$'000)	Available-for-sale financial assets (HK$'000)	Loans and receivables (HK$'000)	Total (HK$'000)
Trade and notes receivables	—	—	973,309	973,309
Financial assets included in prepayments and other receivables (note 22)	—	—	84,246	84,246
Due from a related party	—	—	379,152	379,152
Available-for-sale investments	—	206,389	—	206,389
Derivative financial instruments	26,797	—	—	26,797
Pledged time deposits	—	—	165,807	165,807
Time deposits	—	—	50,723	50,723
Cash and cash equivalents	—	—	434,661	434,661
	26,797	206,389	2,087,898	2,321,084

40. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities

As at 31 December 2015

	Financial liabilities at amortised cost (HK$'000)
Financial liabilities included in other payables, advances from customers and accruals (note 27)	**84,574**
Trade and bills payables	**941,205**
Interest-bearing bank borrowings and other borrowings	**1,697,618**
Other liabilities (note 32)	**6,578**
	2,729,975

As at 31 December 2014

	Financial liabilities at amortised cost (HK$'000)
Financial liabilities included in other payables, advances from customers and accruals (note 27)	84,561
Trade and bills payables	1,131,336
Interest-bearing bank borrowings and other borrowings	2,258,196
	3,474,093

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise interest-bearing bank borrowings and other borrowings, trade payables, other payables and amounts due to related parties. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial investments such as trade and other receivables, cash and cash equivalents and amounts due from related parties, which arise directly from its operations.

The Group also enters into derivative transactions, primarily forward currency contracts. The purpose is to manage the currency risk arising from the Group's operations.

It is, and has been throughout the year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks which are summarised below.

Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with floating interest rates. The interest rates and terms of repayment of borrowings are disclosed in note 29.

The Group has not used any interest swaps to hedge its exposure to interest rate risk. The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

	Increase/ decrease in interest rate	(Decrease)/ increase in profit before tax (HK$'000)
Year ended 31 December 2015	**+5%/-5%**	**(3,023)/3,023**
Year ended 31 December 2014	+5%/-5%	(2,406)/2,406

A reasonably possible change of 5% in the interest rates with all other variables held constant has no impact on the Group's equity other than retained earnings.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposure. This exposure arises from sales or purchases by operating units in currencies other than the units' functional currencies.

The Group manages its foreign currency risk by entering into foreign currency forward contracts to hedge its exposure to fluctuations on the translation into EUR of its foreign operations of sales in US$, as described in note 25. It is the Group's policy to ensure that the net exposure is kept to an acceptable level by buying or selling foreign currencies at a fixed rate where necessary to address short term imbalances. Management will continue to monitor foreign exchange exposure and will continue to consider hedging significant foreign currency exposure by using financial instruments such as foreign currency forward contracts.

The operating units' functional currencies of the Group are RMB, EUR and United States dollar ("US$"), while the currency which has significant transactional currency exposure is US$. The Group's exposure to foreign currency changes for all other currencies is not material. The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ decrease in US$ rate	**Increase/ (decrease) in profit before tax (HK$'000)**
Year ended 31 December 2015		
If US$ strengthens against RMB	**5%**	**4,514**
If US$ weakens against RMB	**-5%**	**(4,514)**
If US$ strengthens against EUR	**5%**	**1**
If US$ weakens against EUR	**-5%**	**(1)**
Year ended 31 December 2014		
If US$ strengthens against RMB	5%	9,307
If US$ weakens against RMB	-5%	(9,307)
If US$ strengthens against EUR	5%	141
If US$ weakens against EUR	-5%	(141)

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, amounts due from subsidiaries, other receivables and derivative financial instruments, arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

At the end of the reporting period, the Group had certain concentrations of credit risk as 23% (2014: 23%) of the Group's trade receivables were due from the Group's largest customer.

Liquidity risk

The Group monitors its exposure to liquidity risk by monitoring the current ratio, which is calculated by comparing the current assets with the current liabilities.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group's policy is that all the borrowings should be approved by the chief financial officer.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The tables below summarise the maturity profile of the Group's financial liabilities at the end of each reporting period based on contractual undiscounted payments:

31 December 2015

	On demand (HK$'000)	Less than 3 months (HK$'000)	3 to 12 months (HK$'000)	1 to 5 years (HK$'000)	Total (HK$'000)
Interest-bearing bank borrowings and other borrowings	—	688,105	31,821	1,089,538	1,809,464
Trade and bills payables	227,891	713,314	—	—	941,205
Other payables	84,574	—	—	—	84,574
	312,465	1,401,419	31,821	1,089,538	2,835,243

31 December 2014

	On demand (HK$'000)	Less than 3 months (HK$'000)	3 to 12 months (HK$'000)	1 to 5 years (HK$'000)	Total (HK$'000)
Interest-bearing bank borrowings and other borrowings	—	884,664	643,100	859,793	2,387,557
Trade and bills payables	973,967	157,369	—	—	1,131,336
Other payables	84,561	—	—	—	84,561
	1,058,528	1,042,033	643,100	859,793	3,603,454

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit profile and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. The Group includes, within net debt, interest-bearing bank borrowings and other borrowings, trade and other payables, and other payables, advances from customers and accruals, less cash and cash equivalents. Capital represents equity attributable to owners of the parent.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The gearing ratios at the end of the reporting periods were as follows:

	2015 (HK$'000)	2014 (HK$'000)
Trade and bills payables	**941,205**	1,131,336
Other payables, advances from customers and accruals	**463,929**	433,370
Interest-bearing bank borrowings and other borrowings	**1,697,618**	2,258,196
Less: Cash and cash equivalents	**(705,291)**	(434,661)
Net debt	**2,397,461**	3,388,241
Equity attributable to owners of the parent	**2,365,258**	2,296,904
Capital and net debt	**4,762,719**	5,685,145
Gearing ratio	**50%**	60%

42. EVENT AFTER THE REPORTING PERIOD

There are no significant subsequent events after the balance sheet date, other than the following:

(i) In 18 February 2016, an overseas subsidiary of the Group announced a voluntary product recall of certain models of its car-seat item, over a concern that children may access the seat's harness adjuster button and simultaneously loosen the harness. As of the date of approval of the financial statements, no injuries have been reported and the management is in the process of implementing applicable remedial action and assessing the financial implications of the matter.

(ii) On 17 March 2016, an overseas subsidiary of the Group received a court verdict over a product liability litigation, of which related claims have not yet been confirmed in a notice of entry of judgement as at the date of this report. The Group has performed a legal analysis and is in the process of filing an appeal of the verdict. The Directors believe that the overseas subsidiary may be successful in seeking a reversal of the verdict and the original judgement upon appeal. The Group recognised product liability obligation for estimated future losses from past product liability loss events, and is covered by insurance policies against the risk of significant claims and related losses. In view of the above, the Directors assessed that the net impact of this judgement would not have a significant impact to the financial statements.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 (HK$'000)	2014 (HK$'000)
NON-CURRENT ASSETS		
Investments in subsidiaries	**8,805**	8,805
Investment in a joint venture	**1,562**	1,562
Total non-current assets	**10,367**	10,367
CURRENT ASSETS		
Other receivables	**393**	1,034
Due from subsidiaries	**1,165,361**	1,240,112
Cash and cash equivalents	**2,769**	1,192
Total current assets	**1,168,523**	1,242,338
CURRENT LIABILITIES		
Other payables	**2,490**	54,955
Dividend payables	**8**	8
Due to a subsidiary	**89**	18,986
Total current liabilities	**2,587**	73,949
NET CURRENT ASSETS	**1,165,936**	1,168,389
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,176,303**	1,178,756
Net assets	**1,176,303**	1,178,756
EQUITY		
Equity attributable to owners of the parent		
Share capital	**11,085**	11,010
Reserves	**1,165,218**	1,167,746
Total equity	**1,176,303**	1,178,756

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium (HK$'000)	Deferred shares reserve (HK$'000)	Share option reserve (HK$'000)	Retained earnings (HK$'000)	Proposed final dividend (HK$'000)	Total (HK$'000)
Balance at 1 January 2014	857,597	—	10,420	—	55,045	923,062
Loss for the year	—	—	—	(52,057)	—	(52,057)
Difference between proposed and declared 2013 dividends	(2)	—	—	—	2	—
Issuance of shares	325,521	—	—	—	—	325,521
Deferred shares	—	15,524	—	—	—	15,524
Share options exercised	290	—	(75)	—	—	215
2013 dividend declared	—	—	—	—	(55,047)	(55,047)
Equity-settled share option arrangements	—	—	10,528	—	—	10,528
Balance at 1 January 2015	1,183,406	15,524	20,873	(52,057)	—	1,167,746
Loss for the year	—	—	—	(21,710)	—	(21,710)
Deferred shares	15,479	(15,524)	—	—	—	(45)
Share options exercised	9,193	—	(2,680)	—	—	6,513
Equity-settled share option arrangements	—	—	12,714	—	—	12,714
As at 31 December 2015	1,208,078	—	30,907	(73,767)	—	1,165,218

44. COMPARATIVE AMOUNTS

1) As further explained in note 17, certain comparative amounts have been restated to conform with the current year's presentation and disclosures.

2) As further explained in note 2.2 to the financial statements, due to the implementation of the Hong Kong Companies Ordinance (Cap. 622) during the current year, the presentation and disclosures of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation and disclosures.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2016.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 December				
	2015	2014	2013	2012	2011
	(HK$'000)	(HK$'000)	(HK$'000)	(HK$'000)	(HK$'000)
RESULTS					
Revenue	**6,951,131**	6,115,592	4,188,794	4,554,462	3,941,672
Cost of sales	**(4,900,919)**	(4,588,057)	(3,228,205)	(3,682,571)	(3,267,990)
Gross profit	**2,050,212**	1,527,535	960,589	871,891	673,682
Other income and gains	**94,881**	97,147	48,593	54,030	106,109
Selling and distribution expenses	**(1,030,382)**	(777,464)	(446,969)	(359,350)	(241,892)
Administrative expenses	**(794,064)**	(699,180)	(359,971)	(343,270)	(330,497)
Share of losses of a joint venture	**(30)**	(31)	(22)	(30)	—
Share of losses of an associate	**(8)**	—	—	—	—
Other expenses	**(3,062)**	(3,234)	(11,056)	(3,381)	(5,729)
Operating profit	**317,547**	144,773	191,164	219,890	201,673
Finance income	**7,246**	8,606	10,590	7,910	3,749
Finance costs	**(60,466)**	(48,110)	(6,826)	(11,897)	(11,617)
Profit before tax	**264,327**	105,269	194,928	215,903	193,805
Income tax expense	**(61,655)**	(47,545)	(23,799)	(32,780)	(16,117)
Profit for the year	**202,672**	57,724	171,129	183,123	177,688

FIVE YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2015	2014	2013	2012	2011
	(HK$'000)	(HK$'000)	(HK$'000)	(HK$'000)	(HK$'000)
Attributable to:					
Owners of the parent	**197,434**	57,475	171,213	181,207	176,915
Non-controlling interests	**5,238**	249	(84)	1,916	773
	202,672	57,724	171,129	183,123	177,688
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**5,921,551**	6,522,064	3,463,668	3,191,679	3,171,239
Total liabilities	**(3,513,449)**	(4,194,404)	(1,436,176)	(1,339,550)	(1,463,791)
Non-controlling interests	**(42,844)**	(30,756)	(30,611)	(29,766)	(27,846)
	2,365,258	2,296,904	1,996,881	1,822,363	1,679,602