

**2017**  
**INTERIM**  
**REPORT**

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# CORPORATE INFORMATION



# CORPORATE INFORMATION

## DIRECTORS

### EXECUTIVE DIRECTORS

Mr. SONG Zhenghuan (*Chairman*)  
Mr. Martin POS (*Chief Executive Officer*)  
Mr. LIU Tongyou  
Mr. Michael Nan QU  
Mr. WANG Haiye  
Mr. Jan REZAB

### NON-EXECUTIVE DIRECTOR

Mr. HO Kwok Yin, Eric

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Iain Ferguson BRUCE  
Mr. SHI Xiaoguang  
Ms. CHIANG Yun  
Mr. JIN Peng

## AUDIT COMMITTEE

Mr. Iain Ferguson BRUCE (*Chairman*)  
Mr. SHI Xiaoguang  
Ms. CHIANG Yun

## NOMINATION COMMITTEE

Mr. Iain Ferguson BRUCE (*Chairman*)  
Mr. SHI Xiaoguang  
Ms. CHIANG Yun

## REMUNERATION COMMITTEE

Mr. Iain Ferguson BRUCE (*Chairman*)  
Mr. SHI Xiaoguang  
Ms. CHIANG Yun

## AUDITORS

Ernst & Young  
Certified Public Accountants  
22nd Floor  
CITIC Tower  
1 Tim Mei Avenue, Central  
Hong Kong

## LEGAL ADVISOR

### As to Hong Kong law

Sidley Austin  
39th Floor  
Two International Finance Centre  
Central  
Hong Kong

## PRINCIPAL SHARE REGISTRAR

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3rd Floor, Royal Bank House  
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Grand Cayman KY1-1110  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR

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Hong Kong

**REGISTERED OFFICE**

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**HEAD OFFICE**

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PRC

**PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

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338 King's Road  
North Point  
Hong Kong

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

**STOCK CODE**

1086

# MANAGEMENT DISCUSSION AND ANALYSIS





press

gb

Vaya i-Size

# MANAGEMENT DISCUSSION & ANALYSIS

## MANAGEMENT DISCUSSION AND ANALYSIS OVERVIEW

### ON THE PATH TO PROFITABLE GROWTH

Following our integration measures, we recorded growth in both revenue and net profit in the first half of 2017. Our revenue for the six months ended 30 June 2017 increased by 2.5% to approximately HK\$3,295.6 million from HK\$3,214.9 million for the corresponding period in 2016. In particular, among others, our strategic brands recorded 17.4% growth. Net profit grew by 14.4% to approximately HK\$125.9 million from approximately HK\$110.1 million in the first half of 2016.

### OUR OWN BRAND AND RETAILER PRIVATE LABEL BUSINESSES

Revenue from our own brand and retailer private label businesses increased by 8.5% to approximately HK\$2,733.8 million in the first half of 2017, from approximately HK\$2,520.7 million in the first half of 2016. Among others, our key strategic brands Cybex, gb and Evenflo recorded revenue of approximately HK\$758.9 million, HK\$574.8 million and HK\$898.1 million respectively, representing growth of 26.8%, 24.8% and 6.7% respectively compared to the first half of 2016.

### Region APAC

In the China market, the growth momentum continued since late 2016 and we recorded a revenue increase of 13.1% (18.6% in RMB) to approximately HK\$745.4 million in the first half of 2017 from approximately HK\$658.8 million in the first half of 2016. The increase was primarily attributed to a 26.6% growth in RMB in gb brand sales and a more than double growth in Cybex brand sales, offset by a slight decline in the Happy Dino brand. The strong growth of gb and Cybex was driven by brand-building efforts including media advertising, celebrity endorsement and fashion events, as well as a rebound in offline sales.

Revenue outside China declined by 22.7% to approximately HK\$172.3 million in the first half of 2017 from approximately HK\$222.8 million in the first half of 2016. The decline mainly resulted from the closure of our Geoby brand business in 2016.

### Region EMEA

Led by the strong growth of Cybex and the gb Platinum and Gold ranges, revenue in EMEA grew by 20.0% to approximately HK\$816.9 million in the first half of 2017, from approximately HK\$680.7 million in the first half of 2016.

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

The gb Platinum and Gold range's rapid expansion in 2016 continued in the first half of 2017, supported by the strong performance of the Pockit and Qbit strollers, as well as a completely new car seat trilogy comprised of the Idan, Vaya I-Size and Elian-FIX.

## Region Americas

Following Evenflo's appointment of a dedicated CEO in January 2017, we focused our investments on brand-building, product development and our distribution channels development. We quickly reacted to a seismic shift in customer purchase preference toward online purchasing behaviour, and increased our partnership with key online channels, supported with a more flexible supply chain. Attributed to a strong market demand in the second quarter, revenue from Evenflo (including Exersuacer) increased by 6.7% to approximately HK\$898.1 million in the first half of 2017 from approximately HK\$841.4 million in the first half of 2016. Our new product development process has been streamlined to focus on the most important consumer-driven needs and aims to create substantial market demand at launch. Our brand relaunch efforts are underway with a new aesthetic and positioning to be unveiled in 2018. We expect positive sales trends and our structural improvements to set a foundation for sustainable growth.

## BLUE CHIP

While developing our own brands, we successfully maintained close relationships with our key Blue Chip customers who recognise and value our excellent manufacturing and Research and Development (R&D) capabilities. Resulting primarily from the planned business transition of a long standing customer, we recorded a reduction in Blue Chip revenue of 19.1% to approximately HK\$561.8 million in the first half of 2017, from approximately HK\$694.2 million in the first half of 2016.

## INNOVATION AND TECHNOLOGY

With seven R&D centres worldwide and a team of more than 400 specialists, our products uniquely combine world-class engineering with iconic aesthetics. Our technical organisation is highly agile and we are developing regional competence centres and autonomous teams to respond faster to market developments and accelerate product development. In the first half of 2017 alone, we filed and obtained 184 patents, bringing the total number of historically obtained patents to more than 7,500.

In 2017, the Cybex MIOS stroller won the "Best of the Best" Red Dot Design Award and seven Cybex and gb car seats were rated "Best in Test," with the highest overall scores in their respective groups. They were also "Test Winners" in the recent independent German Stiftung Warentest and ADAC testing. We now achieve six Red Dot Design Awards, one iF Design Award, one China Excellent Industrial Design Reward, one Guinness World Record and one China Industrial Design Gold Award.

In the first half of 2017, we led or participated in revising 10 international and nine national regulatory standards. We were authorised to establish Co-Secretariat for ISO/PC 310 Wheeled Child Conveyances to develop unified international standards for strollers. In addition, our testing centre was presented with an "Advanced Testing Organisation in Industry Service" award by the China Toy & Juvenile Products Association.

## PRODUCTION AND SUPPLY CHAIN

We continue to enhance the Goodbaby Excellence System we created in 2016 through management and technology projects. We combine Lean Manufacturing principles with management training and advanced quality tools developed in the automotive industry.

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

# MANAGEMENT DISCUSSION & ANALYSIS

## MANAGEMENT STRUCTURE

We are strengthening our global management structure and improving operational integration, while preserving our unique culture, values and entrepreneurship. A Triangular Management System has been introduced to ensure a centralised vision, strategy and standards, with decentralised regional execution. Within our business units, designated leaders now define functional strategies, standards and processes.

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

## OUTLOOK

Our positive financial results in the first half of 2017 are a direct outcome of our One Dragon Vertically Integrated Business Model. The massive integration initiatives we executed during the last three years have now achieved notable results. All aspects of our business are now based on a flexible and scalable foundation that supports our continued growth in revenue and profit.

## FINANCIAL REVIEW

### REVENUE

The total revenue of the Group increased by 2.5% from approximately HK\$3,214.9 million for the six months ended 30 June 2016 to approximately HK\$ 3,295.6 million for the six months ended 30 June 2017.

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

	For the six months ended 30 June				Growth analysis 2017 vs 2016
	2017		2016		
	Sales (HK\$ million)	Total % of sales	Sales (HK\$ million)	Total % of sales	
Group's own brand and retailer private label businesses	2,733.8	83.0	2,520.7	78.4	8.5%
APAC	917.7	27.9	881.6	27.4	4.1%
EMEA	816.9	24.8	680.7	21.2	20.0%
Americas	999.2	30.3	958.4	29.8	4.3%
Blue-Chip business	561.8	17.0	694.2	21.6	-19.1%
<b>Total</b>	<b>3,295.6</b>	<b>100.0</b>	<b>3,214.9</b>	<b>100.0</b>	<b>2.5%</b>

The growth in the Group's own brand and retailer private label businesses were attributable to the strong performance of our strategic brands, Cybex, gb and Evenflo, which experienced solid growth because of successful new product launches, distribution channel development and brand-building efforts. However, the growth was partially offset by a decrease in the business of other brands and retailer private label.

The decrease in revenue from the Blue-Chip business was mainly due to the planned decrease in sales from a previously largest customer as the Group was transforming its business model from OPM to brand-driven business. However, we successfully maintained close relationships with our key Blue-Chip customers who recognise and value our excellent manufacturing and R&D capabilities. As a result, the decrease in revenue from the Blue-Chip business was smaller than expected and we recorded a year-on-year decrease of 19.1%.

#### **COST OF SALES, GROSS PROFIT AND GROSS PROFIT MARGIN**

Cost of sales decreased by approximately 1.9% from HK\$2,140.4 million for the six months ended 30 June 2016 to HK\$2,100.5 million for the six months ended 30 June 2017. The gross profit for the Group increased from approximately HK\$1,074.5 million for the six months ended 30 June 2016 to approximately HK\$1,195.1 million for the six months ended 30 June 2017, and the gross profit margin increased from approximately 33.4% for the six months ended 30 June 2016 to approximately 36.3% for the six months ended 30 June 2017. The improvement in gross profit margin was mainly due to increased revenue contribution from our key strategic brands and improvement in cost efficiency.

#### **OTHER INCOME AND GAINS**

Other income and gains of the Group decreased by HK\$6.1 million from approximately HK\$16.5 million for the six months ended 30 June 2016 to approximately HK\$10.4 million for the six months ended 30 June 2017. The decrease was mainly attributable to the decrease in government grants and the decrease in gain from wealth investment products.

#### **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\$458.7 million for the six months ended 30 June 2016 to approximately HK\$530.1 million for the six months ended 30 June 2017. The increase was mainly attributable to the increase of marketing expenses for brand-building efforts and transportation costs.

#### **ADMINISTRATIVE EXPENSES**

The administrative expenses of the Group primarily consist of salaries, research and development costs and office expenses. The administrative expenses increased slightly from approximately HK\$460.4 million for the six months ended 30 June 2016 to approximately HK\$481.6 million for the six months ended 30 June 2017.

#### **OTHER EXPENSES**

Other expenses of the Group increased to approximately HK\$14.3 million for the six months ended 30 June 2017 from approximately HK\$2.7 million for the six months ended 30 June 2016. The increase was mainly due to the fair value loss from forward currency contracts.

#### **OPERATING PROFIT**

As a result of the reasons mentioned above, the Group's operating profit increased by approximately 6.1%, or HK\$10.3 million, from approximately HK\$169.1 million for the six months ended 30 June 2016 to approximately HK\$179.4 million for the six months ended 30 June 2017. For the six months ended 30 June 2017, the Group's operating margin increased to 5.4% from approximately 5.3% for the six months ended 30 June 2016.

## MANAGEMENT DISCUSSION & ANALYSIS

### FINANCE INCOME

For the six months ended 30 June 2017, the Group's finance income decreased by approximately 18.2%, or HK\$0.4 million, from approximately HK\$2.2 million for the six months ended 30 June 2016 to approximately HK\$1.8 million. The Group's finance income mainly comprises interest income from bank deposits.

### FINANCE COSTS

For the six months ended 30 June 2017, the Group's finance costs increased by 11.5%, or HK\$3.0 million, from approximately HK\$26.0 million for the six months ended 30 June 2016 to approximately HK\$29.0 million. The increase for the six months ended 30 June 2017 was mainly attributable to the increase in LIBOR interest rate.

### PROFIT BEFORE TAX

As a result of the reasons mentioned above, the profit before tax of the Group increased by 4.7% from approximately HK\$145.4 million for the six months ended 30 June 2016 to approximately HK\$152.2 million for the six months ended 30 June 2017.

### INCOME TAX EXPENSE

The Group's income tax expense was approximately HK\$26.3 million for the six months ended 30 June 2017, down by HK\$9.0 million from approximately HK\$35.3 million for the six months ended 30 June 2016.

### PROFIT FOR THE PERIOD

Profit of the Group increased by 14.4% to approximately HK\$125.9 million for the six months ended 30 June 2017 from approximately HK\$110.1 million for the six months ended 30 June 2016.

### NON-GAAP FINANCIAL MEASURES

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

The following tables set forth the reconciliations of the Company's non-GAAP financial measures for the six months ended 30 June 2017 and 2016 to the nearest measures prepared in accordance with IFRS:

	For the 6 months ended 30 June 2017			
	As reported	Adjustments		Non-GAAP
		Equity-settled share option arrangements	Amortisation of intangible assets (a)	
		(HK\$ million)	(HK\$ million)	
Operating profit	179.4	8.0	7.3	194.7
Profit before tax	152.2	8.0	7.3	167.5
Profit for the period	125.9	8.0	5.9	139.8
Operating margin	5.4%			5.9%
Net margin	3.8%			4.2%

	For the 6 months ended 30 June 2016						
	As reported	Adjustments				Non-GAAP	
		Equity-settled share option arrangements	Amortisation of intangible assets (a)	Net fair value gains on call and put options (b)	Net losses on discontinuation of non-strategic operations (c)		Integration-related costs (d)
		(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)		(HK\$ million)
Operating profit	169.1	9.2	7.4	-0.4	0.9	2.5	188.7
Profit before tax	145.4	9.2	7.4	-0.4	0.9	2.5	165.0
Profit for the period	110.1	9.2	6.0	-0.3	0.9	2.2	128.1
Operating margin	5.3%						5.9%
Net margin	3.4%						4.0%

- (a) Amortisation of intangible assets arising from acquisitions, net of related deferred tax.
- (b) Net fair value gains on call options and put options granted to non-controlling shareholders of a subsidiary of the Group, arising from acquisition of this subsidiary.
- (c) Net losses on discontinuation of non-strategic and unprofitable operations.
- (d) Costs related to integration of our business operations after the acquisitions.

## MANAGEMENT DISCUSSION & ANALYSIS

### WORKING CAPITAL AND FINANCIAL RESOURCES

	As at 30 June 2017	As at 31 December 2016
	(HK\$ million)	(HK\$ million)
Trade and notes receivables (including trade receivables due from a related party)	1,193.8	928.8
Trade and notes payables	1,167.3	926.5
Inventories	1,255.5	1,099.8
Trade and notes receivables turnover days <sup>(1)</sup>	58	57
Trade and notes payables turnover days <sup>(2)</sup>	90	83
Inventories turnover days <sup>(3)</sup>	101	104

#### Notes:

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

The increase of trade and notes receivables was mainly attributable to the increase of the Group's revenue. The trade and notes receivables turnover days remained stable.

The increase of trade and notes payables was mainly attributable to the increase of the Group's purchase, which was in line with revenue growth. The increase of trade and notes payables turnover days was mainly due to the improvement in payment terms.

The increase of inventories was mainly attributable to the anticipated growth of the Group's revenue in the third quarter. The decrease in inventories turnover days was mainly due to the improvement in inventory control.

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group's monetary assets, including cash and cash equivalents, pledged time deposits and available-for-sale investments, were approximately HK\$885.6 million (as at 31 December 2016: approximately HK\$783.5 million).

As at 30 June 2017, the Group's interest-bearing bank loans and other borrowings were approximately HK\$1,456.2 million (as at 31 December 2016: approximately HK\$1,228.7 million), including short-term bank loans and other borrowings of approximately HK\$727.3 million (as at 31 December 2016: approximately HK\$278.2 million) and long-term bank loans and other borrowings with repayment terms ranging from three to seven years of approximately HK\$728.9 million (as at 31 December 2016: HK\$950.5 million).

As a result, as at 30 June 2017, the Group's net debt position was approximately HK\$570.6 million (as at 31 December 2016: approximately HK\$445.3 million).



## CONTINGENT LIABILITIES

As at 30 June 2017, the Group had no material contingent liabilities (as at 30 June 2016: nil).

## EXCHANGE RATE FLUCTUATIONS

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

## PLEDGE OF ASSETS

As at 30 June 2017, time deposits of approximately HK\$117.4 million (as at 31 December 2016: HK\$25.4 million) were pledged for business operation and certain of the Group’s interest-bearing bank loans. As at 30 June 2017, some of the Group’s interest-bearing bank borrowings and other borrowing were pledged by intragroup trade receivables of approximately HK\$123.9 million (as at 31 December 2016: nil), and such trade receivables were eliminated in the consolidated financial statements of the Group.

## GEARING RATIO

As at 30 June 2017, the Group’s gearing ratio (calculated by net debt divided by the sum of adjusted capital and net debt; the amount of net debt is calculated by the sum of trade and notes payables, other payables, advances from customers and accruals and interest-bearing bank loans and other borrowings (current and non-current) minus cash and cash equivalents; the amount of the adjusted capital is calculated by equity attributable to owners of the parent minus hedging reserve) was approximately 48.6% (as at 31 December 2016: approximately 44.5%).

## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2017, the Group had a total of 12,708 full-time employees (as at 30 June 2016, the Group had a total of 12,584 full-time employees). For the six months ended 30 June 2017, costs of employees, excluding directors’ emoluments, amounted to a total of HK\$661.9 million (for the six months ended 30 June 2016, costs of employees, excluding directors’ emoluments, amounted to a total of HK\$595.3 million). The Group determined the remuneration packages of all employees with reference to individual performance and current market salary scale. The Group provides its employees in the PRC and other countries and regions with welfare schemes as required by applicable local laws and regulations.

On 5 November 2010, the Company has also adopted a share option scheme to award employees who may have contribution to the Group.

As at 31 December 2016, the outstanding share options were 74,959,500. During the six months ended 30 June 2017, 2,220,000 share options had lapsed and 4,473,000 share options had been exercised. As at 30 June 2017, 68,266,500 share options were outstanding.

## MANAGEMENT DISCUSSION & ANALYSIS

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 at the date of grant
										(HK\$)	
Employees of the subsidiaries of the Company	11,809,500	0	0	0	0	4,473,000	7,336,500	3 January 2012	(i) <b>179,000</b> share options: 3 January 2013 to 2 January 2018	2.12	2.12
									(ii) <b>1,630,500</b> share options: 3 January 2015 to 2 January 2018		
									(iii) <b>2,048,500</b> share options: 3 January 2016 to 2 January 2018		
									(iv) <b>3,478,500</b> share options: 3 January 2017 to 2 January 2018		
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)	36,000,000	0	0	0	420,000	0	35,580,000	29 September 2014	(i) <b>11,626,668</b> share options: 29 September 2017 to 28 September 2024	3.58	3.40
									(ii) <b>12,326,668</b> share options: 29 September 2018 to 28 September 2024		
									(iii) <b>11,626,664</b> share options: 29 September 2019 to 28 September 2024		
Eligible participants	22,150,000	0	0	0	1,800,000	0	20,350,000	7 October 2015	(i) <b>6,783,333</b> share options: 7 October 2018 to 6 October 2025	3.75	3.75
									(ii) <b>6,783,333</b> share options: 7 October 2019 to 6 October 2025		
									(iii) <b>6,783,334</b> share options: 7 October 2020 to 6 October 2025		
Director of the Company	5,000,000	0	0	0	0	0	5,000,000	30 August 2016	(i) <b>1,666,666</b> share options: 30 August 2017 to 29 August 2023	3.87	3.87
									(ii) <b>3,333,334</b> share options: 30 August 2018 to 29 August 2023		

No share options were granted under the Share Option Scheme or any share option scheme of the Group during the six months ended 30 June 2017. The Company estimates the fair value of options granted using binomial tree model.

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

#### **SIGNIFICANT ACQUISITION, DISPOSAL OR INVESTMENT**

During the six months ended 30 June 2017, the Group had no specific material investment target. The Group did not have any material acquisition and disposals of subsidiaries and associated companies, and investment during the period under review.

# OTHER INFORMATION



## OTHER INFORMATION

### PURCHASE, SALES OR REDEMPTION OF SHARES

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### DIVIDENDS

The Board does not recommend payment of any dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

### CORPORATE GOVERNANCE

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

The Company has applied the principles set out in the Code on Corporate Governance Practices ("**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and has also put in place certain recommended best practices as set out in the CG Code. The Board is of the opinion that the Company has complied with all the code provisions set out in the CG Code throughout the six months ended 30 June 2017.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Since the listing of the Company on the Main Board of the Stock Exchange on 24 November 2010, the Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code for the dealings in securities transactions by the Directors. Having made specific enquiries with all Directors of the Company, they have confirmed that they complied with the required standard of dealings set out in the Model Code throughout the six months ended 30 June 2017.

### AUDIT COMMITTEE

As at the date of this interim report, the audit committee of the Company (the "**Audit Committee**") consists of Mr. Iain Ferguson Bruce, Mr. Shi Xiaoguang and Ms. Chiang Yun. The chairman of the Audit Committee is Mr. Iain Ferguson Bruce. The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2017 have been reviewed by the Audit Committee.

The unaudited interim results for the six months ended 30 June 2017 have been reviewed by Ernst & Young in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.



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

As at 30 June 2017, the interest or short positions of the Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required, pursuant to the Model Code, are as follows:

### DIRECTORS' INTEREST IN THE SHARES AND/OR UNDERLYING SHARES

Name of Director	Nature of Interest	Number of Shares and/or Underlying Shares	Approximate percentage of Shareholding
Mr. Song Zhenghuan (Notes 2, 3 & 4)	Beneficiary of a trust/ Beneficial owner	261,780,000 (L)	23.38%
Mr. Martin Pos	Beneficial owner	41,433,498 (L)	3.70%
Mr. Jan Rezab	Beneficial owner	5,000,000 (L)	0.44%
Mr. Liu Tongyou	Beneficial owner	2,400,000 (L)	0.21%
Mr. Wang Haiye	Beneficial owner	2,400,000 (L)	0.21%
Mr. Michael Nan Qu	Beneficial owner	2,400,000 (L)	0.21%
Mr. Ho Kwok Yin, Eric	Beneficial owner	1,000,000 (L)	0.08%
Mr. Iain Ferguson Bruce	Beneficial owner	800,000 (L)	0.07%
Mr. Shi Xiaoguang	Beneficial owner	800,000 (L)	0.07%
Mr. 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. Jan Rezab	5,000,000
Mr. Martin Pos	2,400,000
Mr. Liu Tongyou	2,400,000
Mr. Wang Haiye	2,400,000
Mr. Michael Nan Qu	2,400,000
Mr. Ho Kwok Yin, Eric	1,000,000
Mr. Iain Ferguson Bruce	800,000
Mr. Shi Xiaoguang	800,000
Mr. Chiang Yun	800,000

- (4) Since Ms. Fu Jingqiu is Mr. Song’s spouse, Mr. Song 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 1,390,000 Share Options of the Company granted to Ms. Fu.

## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2017, 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 and/or Underlying Shares	Approximate Percentage of Shareholding
Ms. Fu Jingjiu ("Ms. Fu") (Notes 2, 3 & 4)	Settlor/beneficiary of a trust/Beneficial owner	261,780,000 (L)	23.38%
Pacific United Developments Limited	Beneficial owner	259,000,000 (L)	23.13%
Cayey Enterprises Limited (Note 2)	Interest of controlled corporation	259,000,000 (L)	23.13%
Credit Suisse Trust Limited (Note 2)	Trustee	259,000,000 (L)	23.13%
Grappa Holdings Limited (Note 2)	Interest of controlled corporation	259,000,000 (L)	23.13%
FIL Limited	Investment Manager	119,283,000 (L)	10.65%
Fidelity Funds	Investment Manager	80,835,000 (L)	7.21%
Pioneer Investments Management Limited	Investment Manager	78,170,000 (L)	6.98%
Pioneer Asset Management S.A.	Investment Manager	67,418,000 (L)	6.02%

Notes:

- (1) The letter "L" denotes the person's long position in such shares.
- (2) Pacific United Developments Limited is owned as to 51.19% by Cayey Enterprises Limited, which in turn is, as at 30 June 2017, wholly owned by Grappa Holdings Limited the issued share capital of which is owned as to 50% by Seletar Limited and as to 50% by Serangoon Limited, as nominees for Credit Suisse Trust Limited, which is the trustee holding such interest on trust for the beneficiaries of the Grappa Trust. The beneficiaries of the Grappa Trust include Mr. Song, Ms. Fu and family members of Mr. Song and Ms. Fu. The Grappa Trust is a revocable discretionary trust established under the laws of Singapore.
- (3) On 29 September 2014, Ms. Fu was granted 1,390,000 Share Options under the share option scheme adopted by the Company on 5 November 2010. Ms. Fu is deemed to have an interest in the 1,390,000 underlying Shares of the Company within the meaning of the SFO.
- (4) Since Mr. Song is Ms. Fu's spouse, Ms. Fu is deemed to have an interest in the underlying Shares of the Company within the meaning of Part XV of SFO in respect of the 1,390,000 Share Options of the Company granted to Mr. Song.



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

Changes in Directors' biographical details since the date of the 2016 annual report of the Company, which are required to be disclosed pursuant to Rules 13.51(2) and 13.51(B)(1) of the Listing Rules, are set out below.

### Mr. Song Zhenghuan

Cessation as director of Goodbaby Child Products Hanchuan Co., Ltd. with effect from 22 May 2017.

### Mr. Liu Tongyou

Appointment as Regional Chairman APAC of the Group with effect from 15 July 2017.

Cessation as director of Goodbaby Child Products Hanchuan Co., Ltd. with effect from 22 May 2017.

Appointment as director of Pacific United Developments Limited with effect from 31 December 2003.

### Mr. Michael Nan Qu

Appointment as Regional Chairman AMERICAS of the Group with effect from 15 July 2017.

### Mr. Wang Haiye

Cessation as Regional Chairman APAC of the Group with effect from 15 July 2017.

Cessation as director of Goodbaby Child Products Hanchuan Co., Ltd. with effect from 22 May 2017.

### Mr. Iain Ferguson Bruce

Cessation as non-executive director of Noble Group Limited, a company listed on The Singapore Exchange Securities Trading Limited, with effect from 11 May 2017.

Cessation as independent non-executive director of Citibank (Hong Kong) Limited with effect from 2 August 2017.

### Ms. Chiang Yun

Appointment as member of Audit Committee of Sands China Ltd., a company listed on The Stock Exchange of Hong Kong Limited, with effect from 14 October 2009.

Appointment as member of Audit Committee and Remuneration Committee of Pacific Century Premium Developments Limited, a company listed on The Stock Exchange of Hong Kong Limited, with effect from 6 May 2015.

### Mr. Jin Peng

Appointment as Chief Operating Officer and Secretary of Bison Capital Acquisition Corp., a company listed on Nasdaq Stock Market, with effect from 20 December 2016.

Save as mentioned above, there is no change of information of each Director that is required to be disclosed under Rules 13.51(2) and 13.51(B)(1) of the Listing Rules since the publication of the 2016 annual report of the Company.

For and on behalf of the Board of Directors

**Song Zhenghuan**

*Chairman*

27 August 2017

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



# POCKIT

THE WORLD'S SMALLEST FOLDING STROLLER  
(GUINNESS WORLD RECORDS™ 2014)



# REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

## INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial statements of Goodbaby International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2017, comprising of the interim consolidated statement of financial position as at 30 June 2017 and the related interim consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory information. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim condensed consolidated financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS34”).

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

## SCOPE OF REVIEW

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

## CONCLUSION

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

*Ernst & Young*  
Certified Public Accountants  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong  
27 August 2017

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Notes	2017	2016
		(unaudited) (HK\$'000)	
Revenue	4	3,295,589	3,214,894
Cost of sales		(2,100,534)	(2,140,406)
<b>Gross profit</b>		1,195,055	1,074,488
Other income and gains	4	10,356	16,494
Selling and distribution costs		(530,092)	(458,671)
Administrative expenses		(481,608)	(460,441)
Other expenses		(14,285)	(2,725)
<b>Operating profit</b>		179,426	169,145
Finance income	5	1,794	2,216
Finance costs	6	(29,011)	(25,997)
Share of profits of a joint venture		—	25
<b>Profit before tax</b>	7	152,209	145,389
Income tax expense	8	(26,286)	(35,281)
<b>Profit for the period</b>		125,923	110,108
Attributable to:			
Owners of the parent		124,704	107,140
Non-controlling interests		1,219	2,968
		<b>125,923</b>	<b>110,108</b>
Earnings per share attributable to ordinary equity holders of the parent:	10		
Basic			
– For profit for the period (HK\$)		0.11	0.10
Diluted			
– For profit for the period (HK\$)		0.11	0.10

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	2017	2016
	(unaudited) (HK\$'000)	
<b>Profit for the period</b>	125,923	110,108
<b>Other comprehensive income</b>		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	(24,181)	–
Reclassification adjustments for losses included in the consolidated statement of profit or loss	7,840	–
Income tax effect	2,451	–
	(13,890)	–
Exchange differences:		
Exchange differences on translation of foreign operations	92,617	(19,638)
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	<b>78,727</b>	<b>(19,638)</b>
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>		
Actuarial gains/(losses) of defined benefit plans	5,199	(2,893)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	5,199	(2,893)
<b>Other comprehensive income for the period, net of tax</b>	<b>83,926</b>	<b>(22,531)</b>
<b>Total comprehensive income for the period</b>	<b>209,849</b>	<b>87,577</b>
Attributable to:		
Owners of the parent	207,652	84,935
Non-controlling interests	2,197	2,642
	<b>209,849</b>	<b>87,577</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017	31 December 2016
		(unaudited)	(audited)
		(HK\$'000)	
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	883,491	858,194
Prepaid land lease payments		54,425	53,895
Goodwill	12	834,088	811,662
Other intangible assets	13	689,404	655,866
Investment in a joint venture		840	814
Deferred tax assets		129,979	130,880
Other long-term assets		22,150	7,845
<b>Total non-current assets</b>		<b>2,614,377</b>	<b>2,519,156</b>
<b>CURRENT ASSETS</b>			
Inventories	14	1,255,482	1,099,846
Trade and notes receivables	15	737,801	644,440
Prepayments and other receivables		250,058	187,381
Due from related parties	25	456,034	284,395
Available-for-sale investments	16	39,603	—
Cash and cash equivalents		728,592	758,153
Pledged time deposits		117,429	25,367
<b>Total current assets</b>		<b>3,584,999</b>	<b>2,999,582</b>
<b>CURRENT LIABILITIES</b>			
Trade and notes payables	17	1,167,261	926,464
Other payables, advances from customers and accruals		587,384	557,925
Interest-bearing bank loans and other borrowing	18	727,301	278,236
Income tax payable		45,433	28,307
Provisions		32,197	63,928
Derivative financial liabilities	19	24,181	—
Defined benefit plan liabilities		390	388
Dividends payable		8	8
<b>Total current liabilities</b>		<b>2,584,155</b>	<b>1,855,256</b>
<b>NET CURRENT ASSETS</b>		<b>1,000,844</b>	<b>1,144,326</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,615,221</b>	<b>3,663,482</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017	31 December 2016
		(unaudited)	(audited)
		(HK\$'000)	
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		3,615,221	3,663,482
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank loans and other borrowing	18	728,917	950,521
Provisions		61,197	63,708
Defined benefit plan liabilities		8,604	12,717
Other non-current liabilities		13,632	12,475
Deferred tax liabilities		154,936	145,899
Total non-current liabilities		967,286	1,185,320
<b>Net assets</b>		<b>2,647,935</b>	<b>2,478,162</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	20	11,196	11,151
Reserves		2,598,381	2,429,129
		2,609,577	2,440,280
<b>Non-controlling interests</b>		38,358	37,882
<b>Total equity</b>		<b>2,647,935</b>	<b>2,478,162</b>

**SONG Zhenghuan**  
Director

**WANG Haiye**  
Director



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	ATTRIBUTABLE TO OWNERS OF THE PARENT											Non-controlling interests	Total equity
	Share capital	Share premium	Share option reserve	Statutory reserve funds	Cumulative translation adjustments	Defined benefit plans	Merger reserve	Capital reserve	Hedging reserve	Retained earnings	Total		
	(HK\$'000)												
As at 1 January 2017	11,151	1,171,846	41,748	160,965	(71,800)	(1,841)	153,975	(20,244)	—	994,480	2,440,280	37,882	2,478,162
Profit for the period	—	—	—	—	—	—	—	—	—	124,704	124,704	1,219	125,923
Other comprehensive income for the period:													
Remeasurement effects of defined benefit plans	—	—	—	—	—	5,199	—	—	—	—	5,199	—	5,199
Cash flow hedges, net of tax	—	—	—	—	—	—	—	—	(13,890)	—	(13,890)	—	(13,890)
Exchange differences on translation	—	—	—	—	91,639	—	—	—	—	—	91,639	978	92,617
<b>Total comprehensive income for the period</b>	—	—	—	—	91,639	5,199	—	—	(13,890)	124,704	207,652	2,197	209,849
Dividends	—	(55,885)	—	—	—	—	—	—	—	—	(55,885)	(1,721)	(57,606)
Issue of shares	45	13,324	(3,886)	—	—	—	—	—	—	—	9,483	—	9,483
Equity-settled share option arrangements	—	—	8,047	—	—	—	—	—	—	—	8,047	—	8,047
<b>At 30 June 2017 (Unaudited)</b>	<b>11,196</b>	<b>1,129,285</b>	<b>45,909</b>	<b>160,965</b>	<b>19,839</b>	<b>3,358</b>	<b>153,975</b>	<b>(20,244)</b>	<b>(13,890)</b>	<b>1,119,184</b>	<b>2,609,577</b>	<b>38,358</b>	<b>2,647,935</b>

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	2017	2016
	(Unaudited) (HK\$'000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax:	152,209	145,389
Adjustments for:		
Depreciation and amortisation	103,936	99,161
Loss on disposal of items of property, plant and equipment	3,623	358
Fair value losses, net		
Cash flow hedges (transfer from equity)	7,840	–
Derivative instruments - transactions not qualifying as hedges	–	311
Gain on wealth investment products	(215)	(3,484)
Share of profits of a joint venture	–	(25)
Write-down of inventories	3,329	24,109
Impairment of receivables	311	545
Equity-settled share option expense	8,047	9,168
Interest expense	29,011	25,997
Interest income	(1,794)	(2,216)
(Decrease) /increase in defined benefit plan liabilities	(4,111)	3,344
(Increase) /decrease in inventories	(158,965)	106,357
(Increase) /decrease in trade and notes receivables	(93,672)	19,304
Increase in prepayments and other receivables	(45,361)	(44,065)
Increase in amounts due from related parties	(171,639)	(87,808)
Increase in pledged time deposits	(11,314)	–
Increase in derivative financial assets	–	(584)
Increase/(decrease) in trade and notes payables	240,797	(10,962)
Increase in other payables, advances from customers and accruals	27,768	56,425
Decrease in provisions	(34,242)	(3,894)
Increase/(decrease) in other non-current liabilities	1,157	(798)
Increase in other long term assets	(525)	(427)
Income tax paid	(6,116)	(75,585)
Net cash flows generated from operating activities	50,074	260,620

	2017	2016
	(Unaudited)	
	(HK\$'000)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of items of property, plant and equipment	14,740	15,971
Interest received	1,794	2,574
Gain on wealth investment products received	215	3,484
Proceeds from disposal of intangible assets	–	266
Purchase of items of property, plant and equipment	(94,802)	(97,721)
Purchases of available-for-sale investments	(38,872)	(1,560,527)
Increase in other long-term assets	(13,780)	–
Purchase of other intangible assets	(4,364)	(7,182)
Decrease of time deposits	–	158
Proceeds from disposed available-for-sale investments	–	1,622,315
Net cash flows used in investing activities	(135,069)	(20,662)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	9,483	13,089
Proceeds from borrowings	838,105	646,143
Repayment of borrowings	(648,472)	(762,552)
Interest paid	(27,320)	(25,097)
Increase in pledged time deposits	(80,748)	(18,507)
Dividends paid	(55,885)	(52,015)
Net cash flows generated from/(used in) financing activities	35,163	(198,939)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(49,832)	41,019
Cash and cash equivalents at beginning of year	758,153	705,291
Effect of foreign exchange rate changes, net	20,271	(2,563)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>728,592</b>	<b>743,747</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 1. CORPORATE INFORMATION

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

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

### 2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

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

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements for the six months ended 30 June 2017 are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2016 and the new and revised International Financial Reporting Standards ("IFRSs", which also include IASs and interpretations) that are adopted for the first time for the current period's unaudited interim condensed consolidated financial statements.

## 2.3 ADOPTION OF NEW AND REVISED IFRSS

The Group has applied, for the first time, several new standards and amendments in 2017. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

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

Amendments to IAS 7	<i>Statement of Cash Flows: Disclosure Initiative</i>
Amendments to IAS 12	<i>Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses</i>
Annual Improvements 2014-2016 Cycle	<i>Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12</i>

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

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

## 3. OPERATING SEGMENTS

For management purposes, the Group is organized 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.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 3. OPERATING SEGMENTS (Continued)

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.

Six months ended 30 June 2017

	Strollers and accessories	Car seats and accessories	Other durable juvenile products	Consolidated
	(HK\$'000)			
	(unaudited)			
<b>Segment revenue</b>				
Sales to external customers	1,172,894	1,369,893	752,802	3,295,589
<b>Segment results</b>	404,271	591,689	199,095	1,195,055
<i>Reconciliation:</i>				
Other income and gains				10,356
Corporate and other unallocated expenses				(1,011,700)
Other expenses				(14,285)
Finance costs				(29,011)
Finance income				1,794
<b>Profit before tax</b>				<b>152,209</b>
<b>Other segment information:</b>				
Impairment losses recognised in the statement of profit or loss	2,884	756	—	3,640
Depreciation and amortisation	43,940	35,571	24,425	103,936

### 3. OPERATING SEGMENTS (Continued)

Six months ended 30 June 2016

	Strollers and accessories	Car seats and accessories	Other durable juvenile products	Consolidated
	(HK\$'000)			
	(unaudited)			
<b>Segment revenue</b>				
<b>Sales to external customers</b>	1,080,815	1,315,473	818,606	3,214,894
<b>Segment results</b>	376,155	532,384	165,949	1,074,488
<i>Reconciliation:</i>				
Other income and gains				16,494
Corporate and other unallocated expenses				(919,112)
Other expenses				(2,725)
Finance costs				(25,997)
Finance income				2,216
Share of profits of a joint venture				25
<b>Profit before tax</b>				<b>145,389</b>
<b>Other segment information:</b>				
Impairment losses recognised in the statement of profit or loss	8,826	9,319	6,509	24,654
Depreciation and amortisation	40,135	33,533	25,493	99,161

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 3. OPERATING SEGMENTS (Continued)

### GEOGRAPHICAL INFORMATION

#### (a) Revenue from external customers

	European market	North America market	Mainland China market	Other overseas markets	Total
	(HK\$'000)				
	(unaudited)				
<b>Six months ended 30 June 2017</b>					
<b>Segment revenue:</b>					
Sales to external customers	933,443	1,352,571	745,454	264,121	3,295,589
<b>Six months ended 30 June 2016</b>					
<b>Segment revenue:</b>					
Sales to external customers	923,367	1,331,266	658,979	301,282	3,214,894

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



### 3. OPERATING SEGMENTS (Continued)

#### GEOGRAPHICAL INFORMATION (Continued)

##### (b) Non-current assets

	As at 30 June 2017	As at 31 December 2016
	(HK\$'000)	
	(unaudited)	
Mainland China	647,541	624,385
North America	1,026,888	1,026,222
Europe	804,109	732,321
	<b>2,478,538</b>	<b>2,382,928</b>

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

#### INFORMATION ABOUT A MAJOR CUSTOMER

During the six months ended 30 June 2017, revenue from sales to a major customer of 3rd party accounting for 10% or more of the total net sales of the Group is HK\$ 489,551,000 (During the six months ended 30 June 2016: HK\$ 473,396,000). The revenue from sales to this customer was derived from sales by the strollers and accessories, car seats and accessories and other durable juvenile products segments, including sales to a group of entities which are known to be under common control with this customer. There was no other single customer accounted for 10% or more of the total net sales of the Group, except a related party disclosed in note 25 (b).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 4. REVENUE AND OTHER INCOME AND GAINS

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

	Six months ended 30 June	
	2017	2016
	(HK\$'000)	
	(Unaudited)	
Revenue:		
<b>Sales of goods</b>	<b>3,295,589</b>	<b>3,214,894</b>
Other income and gains:		
Government grants (note (a))	3,178	6,929
Compensation income (note (b))	2,328	164
Gain on sale of materials	921	1,766
Net foreign exchange gains	607	1,785
Service fee income (note (c))	313	470
Gain on wealth investment products	215	3,484
Net fair value gains on call and put option of acquisition of NICAM A/S	–	356
Others	2,794	1,540
<b>Total</b>	<b>10,356</b>	<b>16,494</b>

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

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

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

## 5. FINANCE INCOME

	Six months ended 30 June	
	2017	2016
	(HK\$'000) (Unaudited)	
- Interest income on bank deposits	1,794	2,216

## 6. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	(HK\$'000) (Unaudited)	
- Interest expense on bank loans and other borrowing	29,011	25,997

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2017	2016
	(HK\$'000)	
	(Unaudited)	
Cost of inventories sold	2,100,534	2,140,406
Depreciation of property, plant and equipment	89,937	86,965
Amortisation of intangible assets	12,808	11,082
Amortisation of prepaid land lease payments	1,191	1,114
Research and development costs	148,530	151,625
Lease payments under operating leases in respect of properties	42,143	48,614
Auditors' remuneration	6,026	5,635
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	644,633	587,861
Share option expense	8,047	9,168
Pension scheme costs (defined benefit plans)	1,227	576
Pension scheme contributions	17,552	17,658
	671,459	615,263
Net foreign exchange gains	(607)	(1,785)
Impairment of receivables	311	545
Product warranties and liabilities	15,637	16,932
Write-down of inventories	3,329	24,109
Fair value losses, net		
Cash flow hedges (transfer from equity)	7,840	—
Derivative instruments – transactions not qualifying as hedges	—	311
Loss on disposal of items of property, plant and equipment	3,623	358
Bank interest income	(1,794)	(2,216)

## 8. INCOME TAX EXPENSE

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

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

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

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

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

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

The Group's subsidiary registered in the Czech Republic is subject to income tax based on the taxable income at the rate of 19%.

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 8. INCOME TAX EXPENSE (Continued)

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

	Six months ended 30 June	
	2017	2016
	(HK\$'000)	
	(Unaudited)	
Current - income tax		
- Charge for the period	23,242	49,698
- Under provision in prior years	-	566
Deferred Income tax	3,044	(14,983)
<b>Income tax expense reported in the statement of profit or loss</b>	<b>26,286</b>	<b>35,281</b>

## 9. DIVIDENDS

The board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

## 10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,115,607,000 in issue during the six months ended 30 June 2017 (six months ended 30 June 2016: 1,110,409,000).

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

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

	Six months ended 30 June	
	2017	2016
	(HK\$'000) (Unaudited)	
Earnings		
<b>Profit attributable to ordinary equity holders of the parent, used in the earnings per share calculation</b>	<b>124,704</b>	<b>107,140</b>

	Number of shares	
	Six months ended 30 June	
	2017	2016
	('000) (Unaudited)	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,115,607	1,110,409
Effect of dilution-weighted average number of ordinary shares:		
Share options	2,895	4,059
	<b>1,118,502</b>	<b>1,114,468</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 11. PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2017

	Buildings	Plant and machinery	Motor vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
	(HK\$'000)						
At 31 December 2016 and at 1 January 2017:							
Cost	540,890	812,824	11,209	339,032	78,155	77,672	1,859,782
Accumulated depreciation	(246,777)	(475,246)	(8,028)	(226,355)	(45,182)	–	(1,001,588)
<b>Net carrying amount</b>	<b>294,113</b>	<b>337,578</b>	<b>3,181</b>	<b>112,677</b>	<b>32,973</b>	<b>77,672</b>	<b>858,194</b>
At 1 January 2017, net of accumulated depreciation	294,113	337,578	3,181	112,677	32,973	77,672	858,194
Additions	7,932	14,250	–	38,638	3,593	30,389	94,802
Transfers	1,003	45,675	–	9,046	–	(55,724)	–
Disposals	(818)	(3,276)	–	(7,654)	(1,982)	(4,633)	(18,363)
Depreciation provided during the period	(13,276)	(42,069)	(514)	(29,141)	(4,937)	–	(89,937)
Translation adjustments	8,072	20,011	101	4,404	2,524	3,683	38,795
<b>At 30 June 2017, net of accumulated depreciation</b>	<b>297,026</b>	<b>372,169</b>	<b>2,768</b>	<b>127,970</b>	<b>32,171</b>	<b>51,387</b>	<b>883,491</b>
At 30 June 2017:							
Cost	564,754	884,864	11,604	383,080	79,271	51,387	1,974,960
Accumulated depreciation	(267,728)	(512,695)	(8,836)	(255,110)	(47,100)	–	(1,090,469)
<b>Net carrying amount</b>	<b>297,026</b>	<b>372,169</b>	<b>2,768</b>	<b>127,970</b>	<b>32,171</b>	<b>51,387</b>	<b>883,491</b>



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

31 DECEMBER 2016

	Buildings and land	Plant and machinery	Motor vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
	(HK\$'000)						
At 31 December 2015 and at 1 January 2016:							
Cost	562,441	840,035	10,790	307,033	69,077	36,240	1,825,616
Accumulated depreciation	(238,365)	(470,448)	(7,455)	(190,425)	(40,154)	–	(946,847)
<b>Net carrying amount</b>	<b>324,076</b>	<b>369,587</b>	<b>3,335</b>	<b>116,608</b>	<b>28,923</b>	<b>36,240</b>	<b>878,769</b>
At 1 January 2016, net of accumulated depreciation	324,076	369,587	3,335	116,608	28,923	36,240	878,769
Additions	19,936	68,700	1,343	50,220	13,292	110,984	264,475
Disposals	(22,956)	(31,111)	(3)	(3,033)	(1,164)	(477)	(58,744)
Depreciation provided during the year	(25,372)	(83,500)	(1,100)	(57,686)	(7,343)	–	(175,001)
Transfers	13,449	40,396	–	12,542	–	(66,387)	–
Impairment	(839)	(5,958)	–	–	–	–	(6,797)
Translation adjustments	(14,181)	(20,536)	(394)	(5,974)	(735)	(2,688)	(44,508)
<b>At 31 December 2016, net of accumulated depreciation</b>	<b>294,113</b>	<b>337,578</b>	<b>3,181</b>	<b>112,677</b>	<b>32,973</b>	<b>77,672</b>	<b>858,194</b>
At 31 December 2016:							
Cost	540,890	812,824	11,209	339,032	78,155	77,672	1,859,782
Accumulated depreciation	(246,777)	(475,246)	(8,028)	(226,355)	(45,182)	–	(1,001,588)
<b>Net carrying amount</b>	<b>294,113</b>	<b>337,578</b>	<b>3,181</b>	<b>112,677</b>	<b>32,973</b>	<b>77,672</b>	<b>858,194</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 12. GOODWILL

	(HK\$'000)
Cost and net carrying amount at 31 December 2016 and 1 January 2017	819,619
Exchange realignment	(7,957)
Cost and net carrying amount at 31 December 2016 and 1 January 2017	811,662
Exchange realignment	22,426
<b>Cost and net carrying amount at 30 June 2017</b>	<b>834,088</b>

## 13. OTHER INTANGIBLE ASSETS

30 JUNE 2017

	Trademarks	Computer software	Non-complete agreement	Customer relationship	Patents	Total
	(HK\$'000)					
At 31 December 2016 and at 1 January 2017:						
Cost	497,014	36,791	5,902	140,871	58,328	738,906
Accumulated amortization	(25,575)	(18,814)	(3,443)	(22,139)	(13,069)	(83,040)
<b>Net carrying amount</b>	<b>471,439</b>	<b>17,977</b>	<b>2,459</b>	<b>118,732</b>	<b>45,259</b>	<b>655,866</b>
At 1 January 2017, net of accumulated amortisation	471,439	17,977	2,459	118,732	45,259	655,866
Additions	833	2,329	—	—	1,202	4,364
Amortisation provided during the period	(1,344)	(3,826)	(647)	(4,498)	(2,493)	(12,808)
Translation adjustments	32,231	1,313	237	5,237	2,964	41,982
<b>At 30 June 2017, net of accumulated amortisation</b>	<b>503,159</b>	<b>17,793</b>	<b>2,049</b>	<b>119,471</b>	<b>46,932</b>	<b>689,404</b>
At 30 June 2017:						
Cost	530,934	41,440	6,467	147,552	63,477	789,870
Accumulated amortisation	(27,775)	(23,647)	(4,418)	(28,081)	(16,545)	(100,466)
<b>Net carrying amount</b>	<b>503,159</b>	<b>17,793</b>	<b>2,049</b>	<b>119,471</b>	<b>46,932</b>	<b>689,404</b>

## 13. OTHER INTANGIBLE ASSETS (Continued)

31 DECEMBER 2016

	Trademarks	Computer software	Non-competive agreement	Customer relationship	Patents	Total
	(HK\$'000)					
At 31 December 2015 and at 1 January 2016:						
Cost	510,837	30,238	6,131	143,344	54,654	745,204
Accumulated amortisation	(24,879)	(14,026)	(2,350)	(13,663)	(8,030)	(62,948)
<b>Net carrying amount</b>	<b>485,958</b>	<b>16,212</b>	<b>3,781</b>	<b>129,681</b>	<b>46,624</b>	<b>682,256</b>
At 1 January 2016, net of accumulated amortisation	485,958	16,212	3,781	129,681	46,624	682,256
Additions	1,175	7,847	—	—	5,443	14,465
Acquisition of subsidiaries	—	(264)	—	—	—	(264)
Amortisation provided during the year	(696)	(5,291)	(1,180)	(9,036)	(5,440)	(21,643)
Translation adjustments	(14,998)	(527)	(142)	(1,913)	(1,368)	(18,948)
<b>At 31 December 2016, net of accumulated amortisation</b>	<b>471,439</b>	<b>17,977</b>	<b>2,459</b>	<b>118,732</b>	<b>45,259</b>	<b>655,866</b>
At 31 December 2016:						
Cost	497,014	36,791	5,902	140,871	58,328	738,906
Accumulated amortisation	(25,575)	(18,814)	(3,443)	(22,139)	(13,069)	(83,040)
<b>Net carrying amount</b>	<b>471,439</b>	<b>17,977</b>	<b>2,459</b>	<b>118,732</b>	<b>45,259</b>	<b>655,866</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 14. INVENTORIES

	As at 30 June 2017	As at 31 December 2016
	(HK\$'000)	
	(Unaudited)	(Audited)
Raw materials	364,075	309,450
Work in progress	66,706	55,664
Finished goods	824,701	734,732
	<b>1,255,482</b>	<b>1,099,846</b>

## 15. TRADE AND NOTES RECEIVABLES

	As at 30 June 2017	As at 31 December 2016
	(HK\$'000)	
	(Unaudited)	(Audited)
Trade receivables	735,776	646,027
Notes receivables	11,278	7,373
	747,054	653,400
Impairment for trade receivables	(9,253)	(8,960)
	<b>737,801</b>	<b>644,440</b>

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

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

## 15. TRADE AND NOTES RECEIVABLES (Continued)

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

	As at 30 June 2017	As at 31 December 2016
	(HK\$'000)	
	(Unaudited)	(Audited)
Within 3 months	713,764	597,198
3 to 6 months	8,214	31,460
6 months to 1 year	2,251	4,686
Over 1 year	2,294	3,723
	<b>726,523</b>	<b>637,067</b>

## 16. AVAILABLE-FOR-SALE INVESTMENTS

	As at 30 June 2017	As at 31 December 2016
	(HK\$'000)	
	(Unaudited)	(Audited)
Unlisted investments, at fair value	39,603	–

The above investments consist of investments in wealth investment products which are designated as available-for-sale financial assets and have maturity within one month and coupon rates ranging from 2.2% to 2.3% per annum (2016: ranging from 1.49% to 3.70%).

The wealth investment products are all matured in July 2017 with principals and interests fully received.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 17. TRADE AND NOTES PAYABLES

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

	As at 30 June 2017	As at 31 December 2016
	(Unaudited)	(Audited)
	(HK\$ '000)	
Within 3 months	1,042,889	798,734
3 to 12 months	121,264	110,322
1 to 2 years	1,682	13,300
2 to 3 years	351	1,740
Over 3 years	1,075	2,368
	<b>1,167,261</b>	<b>926,464</b>

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

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

		As at 30 June 2017		As at 31 December 2016	
		Maturity	HK\$'000 (Unaudited)	Maturity	HK\$'000 (Audited)
Current					
Bank borrowings – secured	Note(b)	2017-2018	300,396	2017	38,770
Bank borrowings – unsecured		2018	135,465		–
Bank overdraft – unsecured	Note(a)	On demand	46,748	On demand	189,782
Current portion of long-term bank loans – secured	Note(b)	2018	244,068	2017	48,862
Other borrowing	Note(c)	2017	624	2017	822
			727,301		278,236
Non-current					
Bank borrowings – secured	Note(b)	2018-2021	727,044	2018-2021	948,040
Other borrowing	Note(c)	2021	1,873	2021	2,481
			728,917		950,521
<b>Total</b>			<b>1,456,218</b>		<b>1,228,757</b>

Note (a): The bank overdraft facilities amounted to HK\$177,260,000, of which HK\$46,748,000 had been utilised as at the end of the reporting period and was guaranteed by the Company. The bank overdraft facilities are revolving facilities with no termination date.

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

- (i) The pledge of shares of certain Group's subsidiaries;
- (ii) A standby letter of credit from the Bank of China Suzhou branch and HSBC Suzhou branch issued by a subsidiary of the Group; and
- (iii) intra-group trade receivables of approximately HK\$123,946,000 and these trade receivables were eliminated on the group level.

Note (c): The other borrowing was from local authority.

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 19. DERIVATIVE FINANCIAL LIABILITIES

	As at 30 June 2017	As at 31 December 2016
	(Unaudited)	(Audited)
Forward currency contracts	24,181	–

### *Forward currency contracts – cash flow hedges*

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

The terms of the forward currency contracts match the terms of the commitments. The cash flow hedges relating to intragroup sales in July, August and September 2017 were assessed to be highly effective and net losses of HK\$13,890,000 were included in the hedging reserve as follows:

	As at 30 June 2017
	(HK\$'000) (Unaudited)
Total fair value losses included in the hedging reserve	(24,181)
Deferred tax on fair value losses	3,627
Reclassified from other comprehensive income and recognised in the statement of profit or loss	7,840
Deferred tax on reclassifications to profit or loss	(1,176)
<b>Net losses on cash flow hedges</b>	<b>(13,890)</b>



## 20. SHARE CAPITAL

	Number of shares in issue	Issued capital
	('000)	(HK\$'000)
Issued and fully paid:		
At 1 January 2017	1,115,129	11,151
Share options exercised (note(a))	4,473	45
<b>At 30 June 2017</b>	<b>1,119,602</b>	<b>11,196</b>

Note (a): The subscription rights attaching to 4,473,000 share options were exercised at the subscription prices of HK\$2.12 per share, resulting in the issue of 4,473,000 shares of HK\$0.01 each for a total cash consideration, before expenses, of HK\$44,730.

Details of the Group's share option scheme and the share options issued under the scheme are included in note 21 to the financial statements.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 21. SHARE OPTION SCHEME

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

The maximum number of share options currently permitted to be granted under the Scheme, upon their exercise, has been re-settled at 10% of the shares of the Company in issue as at 25 May 2017, i.e. the date of approval of the limit as refreshed by its shareholders in an annual general meeting. 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.

## 21. SHARE OPTION SCHEME (Continued)

The following share options were outstanding under the Scheme during the six months ended 30 June 2017:

	Weighted average exercise price	Number of options
	HK\$ per share	'000
At 1 January 2016	3.320	87,929
Granted during the year	3.870	5,000
Forfeited during the year	3.592	(11,438)
Exercised during the year	2.120	(6,531)
At 31 December 2016, 1 January 2017	3.420	74,960
Forfeited during the period	3.718	(2,220)
Exercised during the period	2.120	(4,473)
<b>At 30 June 2017</b>	<b>3.495</b>	<b>68,267</b>

The weighted average share price at the date of exercise for share options exercised during the six months ended 30 June 2017 was HK\$3.60 per share (2016: HK\$4.26 per share).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 21. SHARE OPTION SCHEME (Continued)

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

### 30 JUNE 2017

Number of options '000	Exercise price HK\$ per share	Exercise period
179	2.12	3 January 2013 to 2 January 2018
1,631	2.12	3 January 2015 to 2 January 2018
2,049	2.12	3 January 2016 to 2 January 2018
3,478	2.12	3 January 2017 to 2 January 2018
11,627	3.58	29 September 2017 to 28 September 2024
12,327	3.58	29 September 2018 to 28 September 2024
11,626	3.58	29 September 2019 to 28 September 2024
6,783	3.75	7 October 2018 to 6 October 2025
6,783	3.75	7 October 2019 to 6 October 2025
6,784	3.75	7 October 2020 to 6 October 2025
1,667	3.87	30 August 2017 to 29 August 2023
3,333	3.87	30 August 2018 to 29 August 2023
<b>68,267</b>		

**21. SHARE OPTION SCHEME** (Continued)**31 DECEMBER 2016**

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

The Group recognised a share option expense of HK\$ 8,047,000 during the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$ 9,168,000).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 21. SHARE OPTION SCHEME (Continued)

The fair value of equity-settled share options granted was estimated as at the date of grant, using a binomial tree 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	Share options granted on 30 August 2016
Dividend yield (%)	2.00	1.61	1.28	1.79
Spot stock price (HK\$ per share)	2.12	3.40	3.75	3.87
Historical volatility (%)	52.00	38.40	37.78	35.55
Risk-free interest rate (%)	1.11	2.05	1.60	0.82
Expected life of options (year)	6	10	10	7
Weighted average share price (HK\$ per share)	2.12	3.58	3.68	3.87

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The 4,473,000 share options exercised during the period resulted in the issue of 4,473,000 ordinary shares of the Company and new share capital of HK\$44,730 and share premium of HK\$ 13,324,000 (before issue expenses).

At the end of the reporting period, the Company had 68,266,500 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 68,266,500 additional ordinary shares of the Company and additional share capital of HK\$682,665 and share premium of HK\$ 237,909,615 (before issue expenses).

At the date of approval of these financial statements, the Company had 65,736,500 share options outstanding under the Scheme, which represented approximately 5.87% of the Company's shares in issue as at that date.

## 22. FINANCIAL INSTRUMENTS BY CATEGORY

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

### FINANCIAL ASSETS

As at 30 June 2017

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Total
	(HK\$'000)			
	(Unaudited)			
Trade and notes receivables	–	–	737,801	737,801
Financial assets included in prepayments and other receivables	–	–	104,097	104,097
Due from related parties	–	–	456,034	456,034
Available-for-sale investments	–	39,603	–	39,603
Other long-term assets	5,860	–	–	5,860
Pledged time deposits	–	–	117,429	117,429
Cash and cash equivalents	–	–	728,592	728,592
	<b>5,860</b>	<b>39,603</b>	<b>2,143,953</b>	<b>2,189,416</b>

As at 31 December 2016

	Financial assets at fair value through profit or loss	Loans and receivables	Total
	(HK\$'000)		
	(Audited)		
Trade and notes receivables	–	644,440	644,440
Financial assets included in prepayments and other receivables	–	97,355	97,355
Due from related parties	–	284,395	284,395
Other long-term assets	5,348	–	5,348
Pledged time deposits	–	25,367	25,367
Cash and cash equivalents	–	758,153	758,153
	<b>5,348</b>	<b>1,809,710</b>	<b>1,815,058</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 22. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

### FINANCIAL LIABILITIES:

	Financial liabilities at amortised cost (HK\$'000) (Unaudited)
As at 30 June 2017	
Financial liabilities included in other payables, advances from customers and accruals	103,234
Trade and notes payables	1,167,261
Interest-bearing bank borrowings	1,456,218
Derivative financial liabilities	24,181
Other liabilities	9,744
<b>Total</b>	<b>2,760,638</b>

	Financial liabilities at amortised cost (HK\$'000) (Audited)
As at 31 December 2016	
Financial liabilities include in other payables, advances from customers and accruals	92,021
Trade and notes payables	926,464
Interest-bearing bank borrowings	1,228,757
Other liabilities	8,893
<b>Total</b>	<b>2,256,135</b>



## 23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

### FINANCIAL ASSETS

30 June 2017

	Carrying amount	Fair value
	(HK\$'000)	
	(Unaudited)	
Other long-term assets - call option over non-controlling interests	5,860	5,860
Available-for-sale investments	39,603	39,603
	<b>45,463</b>	<b>45,463</b>

31 December 2016

	Carrying amount	Fair value
	(HK\$'000)	
	(Audited)	
Other long-term assets – call option over non-controlling interests	5,348	5,348

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

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

### FINANCIAL LIABILITIES

30 June 2017

	Carrying amount	Fair value
	(HK\$'000) (Unaudited)	
Other non-current liabilities - put option over non-controlling interests	9,744	9,744
Derivative financial liabilities	24,181	24,181
Interest-bearing bank borrowings	1,456,218	1,456,218
<b>Total</b>	<b>1,490,143</b>	<b>1,490,143</b>

31 December 2016

	Carrying amount	Fair value
	(HK\$'000) (Audited)	
Other non-current liabilities - put option over non-controlling interests	8,893	8,893
Interest-bearing bank borrowings	1,228,757	1,228,757
<b>Total</b>	<b>1,237,650</b>	<b>1,237,650</b>

### 23. 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 loans, trade and notes payables, other liabilities, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments. The carrying amount of the non-current interest-bearing bank loans of the Group approximates to their fair value because the loans have a floating interest rate.

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

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

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

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

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

As at 30 June 2017, the marked to market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the financial instruments recognised at fair value.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

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

### FAIR VALUE HIERARCHY

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

Assets measured at fair value:

	30 June 2017	Fair value measurement using		
		Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
(HK\$'000)				
Financial assets at fair value through profit or loss				
– Call option over non- controlling interests	5,860	–	–	5,860
– Available-for-sale investments	39,603	–	–	39,603
	45,463	–	–	45,463

	31 December 2016	Fair value measurement using		
		Quoted prices in active markets Level 1	Significant observable unobservable inputs Level 2	Significant inputs Level 3
(HK\$'000)				
Financial assets at fair value through profit or loss				
– Call option over non-controlling Interests	5,348	–	–	5,348

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

### FAIR VALUE HIERARCHY (Continued)

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

	30 June 2017	31 December 2016
	(HK\$'000)	
At 1 January	5,348	313,984
Remeasurement recognised in other income and gains	–	1,940
Purchases	38,872	2,681,062
Disposals	–	(2,985,063)
Exchange realignment	1,243	(6,575)
	<b>45,463</b>	<b>5,348</b>

Liabilities for which fair values are disclosed:

	30 June 2017	Fair value measurement using		
		Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
	(HK\$'000)			
Put option over non-controlling interests	9,744	–	–	9,744
Interest-bearing bank borrowings	1,456,218	–	1,456,218	–
Derivative financial liabilities	24,181	–	24,181	–
	<b>1,490,143</b>	<b>–</b>	<b>1,480,399</b>	<b>9,744</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

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

### FAIR VALUE HIERARCHY (Continued)

Liabilities for which fair values are disclosed: (continued):

	31 December 2016	Fair value measurement using		
		Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
	(HK\$'000)			
Put option over non-controlling interests	8,893	–	–	8,893
Interest-bearing bank borrowings and other borrowing	1,228,757	–	1,228,757	–
	<b>1,237,650</b>		<b>1,228,757</b>	<b>8,893</b>

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

	30 June 2017	31 December 2016
	(HK\$'000)	
At 1 January	8,893	6,578
Remeasurement recognised in other income and gains	–	2,692
Purchases	–	–
Exchange realignment	851	(377)
	<b>9,744</b>	<b>8,893</b>

During the period ended 30 June 2017, 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.

## 24. COMMITMENTS

The Group had the following capital commitments as at 30 June 2017 and 31 December 2016:

	As at 30 June 2017	As at 31 December 2016
	(Unaudited)	(Audited)
Contracted, but not provided for in respect of the acquisition of:		
Property, plant and equipment	7,561	3,334

## 25. 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
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 his spouse
Goodbaby Group Co., Ltd. (“GGCL”)	Controlled by Mr. Song and his spouse
Goodbaby Group Ping Xiang Co., Ltd. (“GGPX”)	Wholly owned by GGCL
Goodbaby China Holdings Limited (“CAGB”)	Controlled by Mr. Song and his spouse
Goodbaby China Commercial Co., Ltd. (“GCCL”)	Wholly owned by CAGB
Goodbaby (China) Retail & Service Company (“GRCN”)	Ultimately owned by CAGB
Shanghai Goodbaby Child Products Co., Ltd. (“SGCP”)	Ultimately owned by CAGB

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

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

### (B) RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2017	2016
	(HK\$'000)	
	(Unaudited)	
Sales of goods to related parties (note (a))		
CAGB and its subsidiaries#	488,794	418,033
Purchases of goods from a related party (note (a))		
GCCL#	317	44
Rental expense to related parties (note (b))		
GGPX#	5,765	6,084
GGCL#	377	416
	6,143	6,500
Expenses paid on behalf of related parties (note (c))		
GCCL#	345	388
Expenses paid by a related party on behalf of (note (c))		
BRKH#	–	28

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

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

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

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



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

### (C) OUTSTANDING BALANCES WITH RELATED PARTIES

	As at 30 June 2017	As at 31 December 2016
	(Unaudited)	(Audited)
	(HK\$'000)	
Amounts due from a related party		
GRCN	455,758	284,368
GCCL	276	—
SGCP	—	27
	<b>456,034</b>	<b>284,395</b>

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

### (D) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

	Six months ended 30 June	
	2017	2016
	(HK\$'000)	
	(Unaudited)	
Short term employee benefits	19,471	19,485
Equity-settled share option expense	3,370	3,200
Post-employment benefits	439	439
<b>Total compensation paid to key management personnel</b>	<b>23,280</b>	<b>23,124</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 26. SUBSEQUENT EVENTS

On 24 July 2017, the Company announced it had entered into an agreement with Goodbaby China Holdings Limited pursuant to which the Company has conditionally agreed to purchase the entire issued share capital of Oasis Dragon Limited at a consideration of US\$360,000,000, subject to adjustment (the "Acquisition"). Details of the Acquisition are set out in the announcement of the Company dated 24 July 2017. The Acquisition is subject to the approval of independent shareholders in the forthcoming extraordinary general meeting of the Company.

## 27. APPROVAL OF THE FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorized for issue by the board of directors on 27 August 2017.

