THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Goodbaby International Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

Goodbaby International Holdings Limited
好 孩 子 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1086)

MAJOR TRANSACTION

A notice convening the Extraordinary General Meeting of Goodbaby International Holdings Limited to be held at Regus Hong Kong Center at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Wednesday, 16 July 2014 at 10:00 a.m. is set out on pages 114 to 115 of this circular. A form of proxy for use at the Extraordinary General Meeting is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.gbinternational.com.hk).

Whether or not you are able to attend the Extraordinary General Meeting, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the Extraordinary General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the Extraordinary General Meeting or any adjournment thereof if they so wish.

27 June 2014

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In this circular, the following expressions shall have the following meanings unless the context indicates otherwise:

"Acquisition"	the acquisition of the entire issued share capital of the Target through a merger transaction as contemplated under the Agreement;
"Agreement"	the agreement dated 6 June 2014 between the Company, the Subsidiary, the Target, the Holder Parties and WP Administration, LLP, as representative of the Holders;
"associate"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors;
"Closing"	completion of the Acquisition;
"Company"	Goodbaby International Holdings Limited, a company incorporated in the Cayman Islands, the securities of which are listed on the Stock Exchange;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"Delaware Law"	the Delaware General Corporate Law;
"Director(s)"	the directors of the Company;
"Effective Time"	the effective time of the merger transaction to be agreed between the Subsidiary and the Target and entered into in the certificate of merger to be filed with the Secretary of State of the State of Delaware in accordance with Delaware Law;
"Enlarged Group"	the Group as enlarged by the Acquisition;
"Extraordinary General Meeting"	the extraordinary general meeting of the Company to be convened to approve the Agreement;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Holders"	the shareholders and option holders of the Target;
"Holder Parties"	collectively, the shareholders of the Target that have signed on the Agreement on 6 June 2014 and each additional shareholder or option holder of the Target who becomes a party to the Agreement pursuant to a validly executed stockholder letter of transmittal or option holder letter of acknowledgement;

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"HSR Act"	the US Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended;
"Latest Practicable Date"	24 June 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information in the circular;
"Listing Rules"	the Rules Governing the Listing of the Securities on the Stock Exchange;
"PRC"	the People's Republic of China, which, for the purposes of this circular, does not include Hong Kong, Macao Special Administrative Region and Taiwan;
"Renminbi" or "RMB"	Renminbi, the lawful currency of the People's Republic of China;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Shareholder(s)"	the holder(s) of the Share(s);
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Subsidiary"	Serena Merger Co., Inc., a wholly-owned subsidiary of the Company;
"Target"	WP Evenflo Group Holdings, Inc.;
"United States" or "US""	the United States of America;
"US$"	United States dollar, the lawful currency of the United States of America; and
"%"	per cent.

For illustration purposes, amounts in US$ in this circular have been translated into HK$ at US$1 = HK$7.7540.

Goodbaby International Holdings Limited
好 孩 子 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1086)

Executive Directors:
SONG Zhenghuan
(Chairman and Chief Executive Officer)
WANG Haiye
(Vice President)
Martin POS
Michael Nan QU

Non-executive Director:
HO Kwok Yin, Eric

Independent Non-executive Directors:
Iain Ferguson BRUCE
SHI Xiaoguang
CHIANG Yun

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Room 2001, 20th Floor
Two Chinachem Exchange Square
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North Point
Hong Kong

27 June 2014

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

INTRODUCTION

The Board announced that on 6 June 2014, the Company and the Subsidiary entered into the Agreement with the Target, the Holder Parties and WP Administration, LLC, as representative of the Holders, pursuant to which the Company will acquire the Target pursuant to a merger transaction where the Subsidiary will merge with the Target, with the Target surviving the merger in accordance with Delaware Law.

The purpose of this circular is to provide you with information in respect of, among other things, the details of the Acquisition, the financial information of the Group, the financial information of the Target, the unaudited pro-forma financial information of the Enlarged Group, and the notice convening the Extraordinary General Meeting.

THE AGREEMENT

Date

6 June 2014

Parties

(1) the Company;

(2) the Subsidiary, a wholly-owned subsidiary of the Company;

(3) the Target;

(4) the Holder Parties; and

(5) WP Administration, LLC, as representative of the Holders.

To the best knowledge of the Directors, having made all reasonable enquiry, each of the Target, the Holder Parties and WP Administration, LLC is independent of and not connected with the Company and its connected persons. The Holder Parties are institutional investors, their affiliates, and current and former members of the management of the Target, who are independent third parties of the Company. WP Administration, LLC is a special purpose vehicle newly established for the purpose of acting as representative of the Holders under the Agreement.

Subject matter

Pursuant to the Agreement, the Subsidiary will be merged with and into the Target at the Effective Time in accordance with the Delaware Law, whereupon the separate existence of the Subsidiary will cease and the Target will be the surviving corporation.

Upon Closing, the Company will own all of the issued share capital in the Target, and all the existing preference shares and options of the Target will be redeemed and cancelled.

Consideration

The aggregate consideration to be paid by the Company in respect of the Acquisition will be an amount equal to US$143,041,667 (equivalent to approximately HK$1,109.1 million), subject to

deduction of all transaction expenses related to the Acquisition incurred and paid or payable by the Target since 30 April 2014 and through to Closing (the "Aggregate Merger Consideration"). At the Closing, the Company is required to pay the Aggregate Merger Consideration and pay, or cause to be paid, any transaction expenses of the Target that remain unpaid immediately prior to Closing.

The consideration was determined after arm's length negotiations between the parties with reference to the historical operating and financial performance of the Target and that the Target, as a well-established and highly recognized branded juvenile company in North America, could provide the Group with marketing and distribution capabilities to further develop the Group's global footprints. The Target Group generated revenue of US$208 million and EBITDA of US$8.754 million in 2013. Furthermore, the Target had cash and cash equivalents of US$19.9 million at the end of 2013 and no outstanding bank borrowings.

The consideration for the Acquisition will be funded as to US$98,000,000 (equivalent to approximately HK$759,892,000) by new borrowings of the Group from the Bank of China New York Branch, with the balance of the consideration to be funded by internal resources of the Group.

Conditions precedent

1. The obligations of the parties to consummate the Acquisition are subject to the following conditions:

   (a) the passing at a duly convened and held general meeting of the Company of a resolution by a majority of the Shareholders to approve the Acquisition and other arrangements on the terms of the Agreement;

   (b) any applicable waiting period under the HSR Act or any other regulatory laws relating to the transactions contemplated thereby would have expired or been terminated, and all actions required by, or filings required to be made with, any governmental authority under any other regulatory laws in connection with the consummation of the transactions contemplated under the Agreement having been taken or made; and

   (c) no provisions of any applicable law would have been adopted, promulgated or entered by any governmental authority that restrains or prohibits the consummation of the Acquisition or any other transactions contemplated under the Agreement.

2. The obligation of the Company and the Subsidiary to consummate the Acquisition is subject to the satisfaction or waiver of the following further conditions:

   (a) certain fundamental representations and warranties of the Target as provided in the Agreement being true and correct in all material respects as at the date of the Agreement and as at the Effective Time and all other representations and warranties of the Target being true and correct as at the date of the Agreement and as at the Effective Time, except for such failures to be true and correct as would not have, or reasonably be expected to have, individually or in the aggregate, a material adverse effect on the Target;

(b) the Target having performed in all material respects all of its obligations under the Agreement at or prior to the Effective Time;

(c) since the date of the Agreement, there have been no effect, change, circumstance or event that, individually or in the aggregate, has or would reasonably be expected to have a material adverse effect on the Target;

(d) the Company having received a certificate signed by the Chief Executive Officer of the Target to the effect that the conditions in 2(a), (b), and (c) above, have been satisfied;

(e) there is no stockholder of the Target who failed to consent to the Acquisition in writing and who is entitled to demand appraisal for such shares of the capital stock of the Target pursuant to and in compliance in all respects with the Delaware Law;

(f) the options of the Target having been cancelled as contemplated under the Agreement;

(g) the paying agent having received stock certificates together with properly completed transmittal documents from such eligible holders holding at least 60% of the common stock of the Target;

(h) the Company having received evidence of a six year insurance policy in form and substance and amount to the reasonable satisfaction of the Company for the indemnification, advancement of expenses and exculpation of current or former directors and officers of the Target for any events or occurring on or prior to the Effective Time;

(i) the Target having delivered to the Company and the Subsidiary the payoff letters for certain transaction expenses in relation to the Acquisition, executed by each person entitled to such expenses, specifying the amount of expenses payable to such person;

(j) the Company having received the non-solicitation agreements from Weston Presidio V, L.P., the major shareholder of the Target;

(k) the loan and security agreement entered into between Evenflo Company, Inc., a company of the Target Group and Bank of America, N.A. dated 4 December 2012 and the subsequent amendment being in full force and effect and the Target or any of its subsidiaries not being in any default or material breach thereunder;

(l) the Target having provided to the Company a statement under the Foreign Investment in Real Property Tax Act of the US in a form reasonably acceptable to the Company conforming to the applicable requirements of the US Treasury Regulations Sections 1.897-2(h) and 1.1445-2(c) with respect to which the Company having no actual knowledge that such statement is false or receive a notice that the statement is false for purposes of US Treasury Regulations Section 1.1445-4;

(m) each director of the Target having delivered to the Company an acknowledgement of no indemnification claims against the Company or its subsidiaries as of the date of Closing; and

(n) the Company having received a certificate signed by the Chief Executive Officer of the Target to the effect that (i) certain representation and warranties in the Agreement related to payments to Target's stockholders are true and correct in all respects, (ii) that there has been no breach of certain covenants in the Agreement restricting payments to Target stockholders and that (iii) the aggregate amount of all transaction expenses incurred by the Target does not exceed the sum of the amount of transaction expenses deducted in determining the Aggregate Merger Consideration.

3. The obligation of the Target to consummate the Acquisition is subject to the satisfaction or waiver of the following further conditions:

(a) the representations and warranties of the Company and the Subsidiary in the Agreement being true and correct in all material respects at and as of the date of the Agreement and at and as of the Effective Time;

(b) the Company and the Subsidiary having performed in all material respects all of their respective obligations under the Agreement at or prior to the Effective Time; and

(c) the Target having received a certificate signed by an appropriate representative of the Company and the Subsidiary to the effect that the conditions in 3(a) and (b) have been satisfied.

Termination

The Agreement may be terminated at any time prior to Closing:

(a) by mutual written agreement between the Company and the Target;

(b) by either the Company or the Target if the Acquisition has not consummated on or before 8 August 2014;

(c) by either the Company or the Target, if (i) there exist any applicable law that makes the consummation of the Acquisition illegal or (ii) any order has been issued by any governmental authority permanently restraining, enjoining or otherwise prohibiting the Acquisition, and such order being final and non-appealable;

(d) by the Company if either (i) there has been a breach of, or inaccuracy in, any representation or warranty of the Target contained in the Agreement or (ii) the Target has breached or violated any covenant contained in the Agreement, in each case which breach, inaccuracy or violation (A) would result in the failure to satisfy a condition set forth in conditions 2(a) or 2(b) and (B) cannot be or has not been cured by the date which is the earlier of (x) 30 days after the Company notifies the Target of such breach, inaccuracy or violation or (y) 8 August 2014;

(e) by the Target if:

(i) either (x) there has been a breach of, or inaccuracy in, any representation or warranty of Company or the Subsidiary contained in the Agreement or (y) the Company or the Subsidiary has breached or violated any covenant contained in this Agreement, in each case which breach, inaccuracy or violation (A) would result in the failure to satisfy a condition set forth in conditions 3(a) or 3(b) and (B) cannot be or has not been cured by the date which is 30 days after the Target notifies the Company of such breach, accuracy or violation;

(ii) the conditions to Closing set forth in conditions 1 and 2 have been satisfied or waived (other than those to be satisfied at Closing) and the Company fails to consummate the transactions contemplated thereby on the date of Closing should have occurred;

(f) by either the Company or the Target if by 1 August 2014, the Company failed to obtain the approval of the Shareholders in accordance with applicable law.

INFORMATION ON THE TARGET

Business

The Target is a company incorporated under the laws of the State of Delaware, the US. Based in Ohio, the US, it manufactures infant and juvenile products under the brands of "Evenflo", "ExerSaucer", and "Snugli". The core products of the Target include a line of car seats, stationary activity centers and safety gates. The Target also produces strollers, high chairs, play yards, doorway jumpers and carriers. Please refer to the website of the Target at http://www.evenflo.com for more information about the Target Group**.**

Financial information

The following information is extracted from the financial information of the Target for the two financial years ended 31 December 2012 and 2013:

	For the year ended 31 December			
	2012		**2013**	
	US$'000	*Equivalent to HK$'000*	*US$'000*	*Equivalent to HK$'000*
Revenue	218,685	1,695,683	208,015	1,612,948
Profit/(loss) before taxation *(Note 1)*	(18,162)	(140,828)	(7,729)	(59,931)
Profit/(loss) after taxation *(Note 1)*	23,129	179,342	(7,500)	(58,155)

	As at 31 December			
	2012		2013	
	US$'000	*Equivalent to HK$'000*	*US$'000*	*Equivalent to HK$'000*
Net assets	37,888	293,783	34,077	264,233
Bank borrowings	—	—	—	—
Cash and cash equivalents	25,272	195,959	19,911	154,390

Notes:

1. The Target disposed of its feeding business and its Mexico subsidiary together with a division involved in sale of breast pumps and accessories in 2012. The financial results above are only related to the continuing operation of the Target.

A breakdown of the revenue from the major products of the Target Group for the year ended 31 December 2103 is set out below:

	Year ended 31 December 2013	
	US$'000	*Equivalent to HK$'000*
Car seats	122,740	951,726
Exersaucers	23,209	179,962
Gates	28,538	221,284
Others	33,528	259,976
	208,015	1,612,948

Upon Closing, the Target will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target will be consolidated in the results of the Company.

REASONS FOR THE TRANSACTION

The Group is principally engaged in the design, research and development, manufacturing, marketing and sale of durable juvenile products.

In the PRC market, the Group principally designs, manufactures and sells its products under its self-owned brands, including "gb" and "Happy Dino", which enjoy wide recognition and reputation as well as leading market share. The Group sells its products through its distribution network, which covers department stores, supermarkets, and maternity and childcare specialty stores strategically located in all parts of the PRC, as well as online sales channels. In the overseas markets, the Group has established strategic partnerships with local distributors and owners of world famous brands, and

sells the products under both the self-owned brands of the Group and third-party brands. North America and Europe are key markets for the Group's products. In 2013, revenues attributable to the North American and European markets were HK$1,127 million and HK$1,015 million respectively, representing approximately 26.9% and 24.2% of the total revenue of the Group. In January 2014, the Group established its direct sales channel to retailers in Europe for its self-own branded products through the successful acquisition of Columbus Holdings GmbH which owns CYBEX, a well-known high-end car seats brand in Europe.

Established in 1920, the Target principally engages in the design, research and development, manufacturing, marketing and sale of juvenile durable products. Its comprehensive product portfolio includes car seats, travel systems, juvenile gates, high chairs, portable baby suite play yards, activity centers, carriers and doorway jumpers. The Target commands high consumer awareness in the mid-end to value segments and its major product segments occupy top market shares in the United States. The Target's products are principally manufactured in Piqua, Ohio, and Tijuana, Mexico, and are sold globally. The Target also has an established and efficient marketing and operational platform in North America, which generates sales direct to retailers such as Wal-Mart, Toys 'R' Us, Target and Amazon.com. The Target's 2013 revenues amounted to approximately US$208 million (equivalent to approximately HK$1,612 million), which was primarily attributable to sales in the US.

The Acquisition aligns with the Group's strategy of reinforcing its leadership status in the global juvenile products market with its own brands while at the same time expanding its resources to support its growing alliances with other major international brands.

Augment brand and product portfolios

The Acquisition allows the Group to further develop its brand portfolio of safe, innovative, fashionable, and easy-to-use juvenile durable products to spread across all price points. The Group's gb and CYBEX brands are already well-established in the mid to high price points segments. The Target's positioning as a mid-end to value brand completes the Group's offerings to service global consumers across all price points. Furthermore, the Group's established product development and manufacturing capabilities in strollers and car seats are complemented by the Target's mature car seat product portfolio and technical and manufacturing expertise. The Acquisition also allows the Group to utilize its research and development capabilities to support the diversity of products under the "Evenflo" brand as well as improve profitability and expand the brand into additional product categories and international markets.

Strengthen manufacturing and distribution capabilities

The Acquisition enables the Group to expand its manufacturing footprint to North America to support the Group's penetration into North America as well as better service its customer brands with a view to minimizing lead times and exposure to increasing trans-oceanic freight rates. The integration of both a China and North America supply chain system will provide the Group with a fully vertical capability with the versatility to respond to market requirements rapidly and efficiently and enhance competitive advantage. The Group can further gain access to the Target's strong relationships with distributors and retailers in North America to complement its existing global capabilities.

Achieve synergies through combination of international platforms

The combination of the Group and the Target creates a truly global player with operational platforms and distribution channels in China, Europe and North America. The acquisition of Target's operational platforms (and the recent acquisition of the Columbus Holdings GmbH) significantly shortens the Group's time to market in Europe and North America, allowing the Group to consolidate global resources, realize selling and administrative savings and achieve infrastructural and logistical efficiencies internationally.

The Group is confident that the Acquisition will complement its existing business strategy, including strengthening strategic partnerships with well-known international brands, driving its international growth, increasing market share, and expand its product portfolio and customer base, thereby increasing profitability for the Group and the overall shareholder value of the Company.

The Directors (including the independent non-executive Directors) consider that the Agreement has been entered into on normal commercial terms, that such terms are fair and reasonable so far as the Company and the Shareholders are concerned, and that the entering into of the Agreement is in the interest of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS TO THE GROUP AS A RESULT OF THE ACQUISITION

Immediately upon Closing, the Target will be indirectly wholly-owned by the Company and the financial results of the Target will be consolidated into the financial statements of the Group.

As set out in Appendix III to this circular, assuming the Acquisition has been completed on 31 December 2013, upon Closing, the consolidated total assets of the Group would increase from approximately HK$3,463.7 million to approximately HK$4,610.6 million, as a result of the Acquisition. The increase is primarily due to the consolidation of the assets of the Target Group with that of the Group. The consolidated total liabilities of the Group would increase from approximately HK$1,436.2 million to approximately HK$2,629.2 as at 31 December 2013 due to the consolidation of the liabilities of the Target Group with that of the Group and the obtaining of a new bank loan of US$98,000,000 to finance the Acquisition. As a result, the consolidated net assets of the Group would decrease from approximately HK$2,027.5 million as at 31 December 2013 to approximately HK$1,981.4 million as a result of the Acquisition.

The net losses experienced by the Target are in part caused by one-off restructuring costs as well as finance costs relating to the Target's preferred shares which will be cancelled upon Closing. Furthermore, when taking into account the synergies potential of the Acquisition, the Acquisition is expected to broaden the Group's earnings base in the future.

GENERAL

As the applicable ratios as set out in Rule 14.07 of the Listing Rules in respect of the consideration payable by the Company under the Agreement is over 25% but below 100%, the Acquisition constitutes a major transaction for the Company and is subject to the announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors should note that closing of the Acquisition is subject to the fulfilment of the conditions under the Agreement. As the Acquisition may or may not proceed to completion, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

EXTRAORDINARY GENERAL MEETING

The Company will convene the Extraordinary General Meeting at Regus Hong Kong Center at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Wednesday, 16 July 2014 at 10:00 a.m. to consider and if thought fit, approve the Agreement and the transactions contemplated thereunder. A notice of the Extraordinary General Meeting is set out on pages 114 to 115 of this circular. In accordance with the requirements of the Listing Rules, all votes to be taken at the Extraordinary General Meeting will be by poll. To the best knowledge of the Directors, no Shareholder is interested in the Agreement and no Shareholder will be required to abstain from voting for the resolution proposed at the Extraordinary General Meeting to approve the Agreement.

Pacific United Developments Limited and Mr. Martin Pos, who are interested in 259,000,000 Shares and 48,791,873 Shares, respectively, representing in aggregate approximately 27.96% of the issued share capital of the Company as at the Latest Practicable Date, have undertaken to vote in favour of the resolution to be proposed at the Extraordinary General Meeting to approve the Agreement.

A form of proxy for the Extraordinary General Meeting is enclosed herewith. Whether or not you intend to attend and vote at the Extraordinary General Meeting in person, you are requested to complete the form of proxy and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as practicable but in any event no later than 48 hours before the time appointed for holding the Extraordinary General Meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the Extraordinary General Meeting in person should you so wish.

CLOSURE OF THE REGISTER OF MEMBERS

For the purpose of determining the list of Shareholders who are entitled to attend and vote at the Extraordinary General Meeting, the register of members of the Company will be closed from Monday, 14 July 2014 to Wednesday, 16 July 2014 (both days inclusive). No transfer of Shares of the Company will be registered during that period.

In order to qualify to attend and vote at the Extraordinary General Meeting, all instruments of transfer together with the relevant share certificate(s) must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 11 July 2014.

RECOMMENDATIONS

For the reasons stated in this letter, the Board recommends the Shareholders to vote in favour of the resolution proposed at the Extraordinary General Meeting to approve the Agreement. Your attention is also drawn to the additional information set out in the appendices of this circular.

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

I. FINANCIAL INFORMATION OF THE GROUP FOR THE THREE FINANCIAL YEARS ENDED 31 DECEMBER 2013

Financial information of the Group for the three years ended 31 December 2011, 2012 and 2013 are disclosed on pages 64 to 159 of the annual report of the Company for the year ended 31 December 2011, pages 64 to 151 of the annual report of the Company for the year ended 31 December 2012 and pages 64 to 159 of the annual report of the Company for the year ended 31 December 2013, all of which are published on the website of the Stock exchange at http://www.hkexnews.hk, and the website of the Company at www.gbinternational.com.hk. Quick links to the annual reports of the Company are set out below:

annual report of the Company for the year ended 31 December 2011:
http://www.hkexnews.hk/listedco/listconews/SEHK/2012/0424/LTN20120424226.PDF

annual report of the Company for the year ended 31 December 2012:
http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0422/LTN20130422741.pdf

annual report of the Company for the year ended 31 December 2013:
http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0422/LTN20140422179.pdf

II. INDEBTEDNESS

Borrowings

At the close of business on 30 April 2014, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had outstanding bank loans of approximately HK$965,366,000, of which bank loans of approximately HK$803,579,000 were secured by intragroup receivables and letter of credit.

At the close of business on 30 April 2014, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had finance lease commitments of approximately HK$4,944,000.

Save as disclosed above and otherwise mentioned in this circular, none of the members of the Enlarged Group had, at the close of business on 30 April 2014, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, any outstanding mortgages, charges, debenture, loan capital issued and outstanding or agreed to be issued, bank loan and overdraft or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantee or other material contingent liabilities.

Contingent liabilities

At the close of business on 30 April 2014, the Enlarged Group had no material contingent liabilities.

Pledge of assets

As of 30 April 2014, some of the bank loans were secured by intragroup trade receivables of approximately HK$440.6 million and letter of credit of approximately HK$428.0 million.

III. WORKING CAPITAL

After taking into account the Enlarged Group's internal resources, the presently available banking facilities and in the absence of unforeseen circumstances, the Directors are of the opinion that the Enlarged Group will have sufficient working capital to meet its present requirements for the next twelve months from the date of this circular.

IV. MATERIAL ADVERSE CHANGE

The Directors were not aware of any material adverse change to the financial or trading position of the Group since 31 December 2013, being the date to which the latest audited consolidated financial statement of the Company were published.

V. OUTLOOK AND PROSPECTS

The Chinese economy has entered into a period of moderate growth following a period of high growth. While total retail sales for consumption goods will continue to maintain steady growth, the traditional retail consumption market will face more intense competition from the e-commerce sector. As the largest consumer market for durable juvenile products, the European and North American markets are still clouded with uncertainties although they shown recovery momentum. As a leading enterprise in the global durable juvenile product industry, the Company will emphasize efficiency and depth of strategy execution in 2014:

(1) **Realizing business model upgrade for national and international markets**

In the China market, the Group will make great efforts to promote the transition from channel-driven push marketing to end-user-driven pull marketing, and build an eco, sustainable and fast-growing business platform. In the overseas markets, the Group will continue to strengthen its partnership with the existing brand customers, develop the operations ("Bluechip customers") of turnkey product manufacturing while facilitating the development of direct sales operations, with an aim to achieve progress and synergistic development in both Bluechip and direct sales operations.

(2) **Completion of overall market structure**

In the China market, the Group will refine the end-user channel and structure, and implement downstream penetration and grid management through strengthening its advantageous position in department stores and shopping malls, enhancing the Group's network of hypermarkets and maternity and childcare specialty chain stores, driving the downstream development of distributor channels and expanding the Group's end-user channels. The Group will enhance the strategic cooperation with its e-commerce platforms, and further develop and optimize online distributors, online franchise stores and online-exclusive products. In addition, the Group will commence online branding marketing and

develop the "online-to-offline" (O2O) interactive sales model. In the overseas markets, the Group will establish and develop localized marketing service platforms, step up its efforts in the implementation of proactive marketing strategies to broaden its customer base. The Group will invest in market-oriented new products targeting the full spectrum of sales channels and customer base in order to fully cover all market segments.

(3) **Synergies created**

With the Company's leading position in the PRC, and the strength of the "CYBEX" brand of Columbus Holdings GmbH in Europe, the Acquisition would provide the Enlarged Group a rich product offering that covers all price points. The Enlarged Group would also include an established manufacturing facility and distribution network in North America, which would significantly shorten the time to market, allow the Enlarged Group to consolidate global resources, realise selling and administrative savings and achieve infrastructural and logistical efficiencies internationally and thereby enhancing competitive advantage of the Enlarged Group in the market.

VI. OTHER INFORMATION

(a) **Liquidity and Financial Resources**

The Group has established a sound cash management system, including a dedicated cash management division for managing liquidity of the Group, and an accountability system under which each operating unit is responsible for its own cash flows. The Group generally finances operations and future plans with liquid funds from cash flows generated internally by operating activities and from banking facilities.

As at 31 December 2013, the Group's cash and cash equivalents were approximately HK$608.3 million, of which: HK$469.3 million were denominated in Renminbi, HK$123.9 million were denominated in US dollars, HK$12.2 million were denominated in HK dollars and HK$2.9 million were denominated in other currencies.

As at 31 December 2013, the Group's interest-bearing bank borrowings were approximately HK$447.2 million, all were denominated in US dollars. Bank borrowings as at 31 December 2013 and those in corresponding period were charged at variable interest rate.

(b) **Exchange Rate Fluctuations**

The Group's revenue is mainly denominated in US dollars and Renminbi. The cost of sales and operating expenses are mainly denominated in Renminbi. For the year ended 31 December 2013, approximately 67.6% of the Group's revenue was denominated in US dollars. The Group's gross profit margin will be adversely affected if Renminbi appreciates against the US dollar and the Group is unable to increase the US dollar selling prices of the products sold to the overseas customers. Renminbi appreciated by approximately 3.1% against the US dollar during the year ended 31 December 2013.

(c) **Gearing Ratio**

As of 31 December 2013, the Group's gearing ratio (calculated by net liabilities divided by the sum of equity attributable to owners of the parent and net liabilities; the amount of net liabilities was calculated by the sum of trade and notes payables, other payables, advances from customers and accruals, interest-bearing loans and borrowings (current and non-current), dividends payable and amounts due to related parties, minus cash and cash equivalents) was approximately 28.5%.

(d) **Employee and Remuneration Policy**

As at 31 December 2013, the Group had a total of 11,567 full-time employees. For the year ended 31 December 2013, costs of employees, excluding Directors' emoluments, amounted to a total of HK$834.7 million. The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees including the Directors with reference to individual performance and current market salary scale. The Group provides a defined contribution mandatory provident fund for retirement benefits of its employees in Hong Kong, and provides its employees in the PRC and other countries with welfare schemes as required by the applicable local laws and regulations.

(e) **Material acquisitions by the Group**

On 27 January 2014, Goodbaby (Hong Kong) Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with the shareholders of Columbus Holding GmbH pursuant to which Goodbaby (Hong Kong) Limited acquired the entire issued share capital of Columbus Holding GmbH for EUR70,711,539 (equivalent to HK$751,069,681), which was settled (i) as to EUR38,513,000 (equivalent to approximately HK$409,069,681) in cash, and (ii) as to approximately EUR32,198,539 (equivalent to approximately HK$342,000,000) by the issue of 100,000,000 new Shares at the issue price of HK$3.42 per Share (equivalent to the closing price of the Shares on the date of the sale and purchase agreement) to the vendors.

Columbus Holding GmbH is a branded juvenile Company headquartered in Germany primarily engaged in the design and sale of juvenile products with branches in Austria, the United Kingdom, France, Italy, the Netherlands and the PRC. Key products of Columbus Holding GmbH include car seats, baby carriers and strollers, and the "CYBEX" brand of car seats is an established brand in Europe.

Columbus Holding GmbH became a wholly-owned subsidiary of the Company upon completion of the transaction on 30 January 2014.

The following is the text of a report on the Target prepared by Deloitte Touche Tohmatsu, certified public accountants, Hong Kong for the purpose of incorporation in this circular:

Deloitte.
德勤

德勤・關黃陳方會計師行
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Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

June 27, 2014

The Directors
Goodbaby International Holdings Limited

Dear Sirs,

We set out below our report on the consolidated financial information (the "Financial Information") of WP Evenflo Group Holdings, Inc. ("Evenflo") and its subsidiaries (hereinafter together referred to as the "Evenflo Group"), which is proposed to be acquired by Goodbaby International Holdings Limited ("Goodbaby" or the "Company") as purchaser pursuant to an agreement entered into on June 6, 2014, for each of the three years ended December 31, 2011, 2012 and 2013 (the "Relevant Periods") for inclusion in the circular of Goodbaby dated June 27, 2014 (the "Circular") in connection with the proposed acquisition (the "Proposed Acquisition") of the entire equity interests of Evenflo by Goodbaby constituting a material acquisition under the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

Evenflo was incorporated in the United States of America (the "U.S.") on December 13, 2006 as a company with limited liability. As at the date of this report, Evenflo has direct and indirect interests in the subsidiaries as set out below. All companies comprising the group headed by Evenflo have adopted December 31 as their financial year end date.

Particulars of subsidiaries of Evenflo are as follows:

Name of subsidiary	Place and date of incorporation	Issued and fully paid share capital at the date of report	Equity interest attributable to the Evenflo Group				Principal activities
			As at December 31,			At date of this report	
			2011	2012	2013		
			%	%	%	%	
WP Evenflo Holdings, Inc.	the U.S. June 25, 2004	USD10	100	100	100	100	Investment holding
Evenflo Company, Inc juvenile	the U.S. October 1, 1992	USD86,500	100	100	100	100	Manufacture of baby care and products

Name of subsidiary	Place and date of incorporation	Issued and fully paid share capital at the date of report	Equity interest attributable to the Evenflo Group				Principal activities
			As at December 31,			At date of this report	
			2011	2012	2013		
			%	%	%	%	
Lisco Feeding, Inc. juvenile	the U.S. September 1, 1994	USD1	100	100	100	100	Manufacture of baby care and products
Lisco Furniture, Inc. juvenile	the U.S. September 1, 1994	USD1	100	100	100	100	Manufacture of baby care and products
Evenflo (Philippines) Inc. juvenile	Philippines April 6, 1970	Peso6,000,000	100	100	100	100	Manufacture of baby care and products
Evenflo Canada, Inc. juvenile	Canada March 18, 1991	USD7,000	100	100	100	100	Manufacture of baby care and products
Muebles Para Ninos De Baja S.A. De C.V. juvenile	Mexico June 29, 1987	Peso1,720,000	100	100	100	100	Manufacture of baby care and products
Evenflo Europe S.a.r.l. juvenile	France January 2, 1997	Francs50,000	100	100	100	100	Manufacture of baby care and products
Evenflo Company Holdings, LLC juvenile	the U.S. January 25, 2012	N/A	— (Note)	100	100	100	Manufacture of baby care and products
Evenflo Asia, Inc. juvenile	the U.S. December 15, 2004	USD1	100	100	100	100	Manufacture of baby care and products
Evenflo Mexico S.A.de, C.V. juvenile	Mexico November 8, 1956	Peso26,182,000	100	— (Note 2)	—	—	Manufacture of baby care and products

Note: The entity was established during the year ended December 31, 2012.

Other than Evenflo Mexico S.A.de C.V., no statutory financial statements were prepared by Evenflo and its subsidiaries since their respective dates of incorporation as there were no statutory requirements to do so in the respective jurisdictions where they were incorporated. The statutory financial statements of Evenflo Mexico S.A.de C.V. for the year ended December 31, 2011 were prepared in accordance with the relevant accounting principles and financial regulations applicable to entities incorporated in Mexico and were audited by Deloitte & Touche, which is a firm of certified public accountants registered in Mexico.

The management of the Evenflo Group prepared consolidated financial statements of WP Evenflo Holdings, Inc. for the three years ended December 31, 2011, 2012 and 2013 under the accounting standards generally accepted in the U.S. (the "Underlying Financial Statements") which were audited by Deloitte & Touche LLP in accordance with generally accepted auditing standards in the U.S. For the purpose of this report, the management of the Evenflo Group also prepared the management accounts of Evenflo for the three years ended December 31, 2013 also under the accounting standards generally accepted in the U.S.

We have examined the Underlying Financial Statements and the management accounts of Evenflo in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants. The Financial Information for the Relevant Periods set out in this report has been prepared based on the Underlying Financial Statements and the management accounts of Evenflo, after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Circular.

The Underlying Financial Statements and the management accounts of Evenflo are the responsibility of the management of the Evenflo Group who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements and the management accounts of Evenflo, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Evenflo Group as at December 31, 2011, 2012, 2013, and of the consolidated results and cash flows of the Evenflo Group for the Relevant Periods.

WP EVENFLO GROUP HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	**Year ended December 31,** **2011** *USD'000*	**2012** *USD'000*	**2013** *USD'000*
Continuing operations				
Revenue	7	211,837	218,685	208,015
Cost of sales		(171,763)	(173,321)	(160,617)
Gross profit		40,074	45,364	47,398
Restructuring charges	8	—	(3,701)	(1,047)
Other gains and losses	9	329	(390)	(177)
Distribution and selling expenses		(20,183)	(22,850)	(20,683)
Administrative and other expenses		(28,172)	(30,342)	(26,363)
Finance costs	10	(5,482)	(6,243)	(6,857)
Loss before taxation		(13,434)	(18,162)	(7,729)
Income tax (expense) credit	13	(1,784)	41,291	229
(Loss) profit for the year from continuing operations		(15,218)	23,129	(7,500)
Discontinued operations	2			
Profit for the year from discontinued operations		1,283	69,289	—
(Loss) profit for the year	11	(13,935)	92,418	(7,500)
Other comprehensive (expense) income				
Item that will not be reclassified to profit or loss				
Pension and post-retirement benefits - (loss) gain during the year		(1,858)	(176)	3,401
Item that will be reclassified subsequently to profit or loss				
Exchange differences arising on translation		(1,559)	975	(242)
Exchange differences released upon disposal of discontinued operations		—	2,109	—
Total comprehensive (expense) income for the year		(17,352)	95,326	(4,341)
(Loss) earnings per share	14			
From continuing and discontinued operations				
Basic and diluted		USD(62.85)	USD414.36	USD(33.26)
From continuing operations				
Basic and diluted		USD(68.64)	USD103.70	USD(33.26)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	December31, 2011	2012	2013
		USD'000	USD'000	USD'000
Non-current assets				
Property, plant and equipment	16	23,927	13,787	13,991
Intangible assets	15	102,395	45,734	42,761
Deferred tax assets	13	—	189	1,556
Other non-current assets		784	283	1,000
		127,106	59,993	59,308
Current assets				
Inventories	19	44,192	38,169	35,639
Trade receivables	18	42,218	34,307	28,261
Prepayments and other receivables	18	4,783	7,181	2,978
Cash and cash equivalents	17	5,999	25,272	19,911
		97,192	104,929	86,789
Current liabilities				
Trade payables	20	46,639	39,296	29,093
Other payables and accruals	20	10,096	10,136	7,567
Provision for product liabilities - current portion	22	2,227	1,995	3,068
Borrowings-current	21(A)	2,347	—	—
Revolving credit facility	21(B)	358	—	—
Taxation payable		—	2,822	—
Redeemable preferred shares	27	—	—	17,261
		61,667	54,249	56,989
Net current assets		35,525	50,680	29,800
Total assets less current liabilities		162,631	110,673	89,108
Capital and reserves				
Common stock	23	2	2	2
Reserves		(57,644)	37,886	34,075
Deficit (equity) attributable to owners of Evenflo		(57,642)	37,888	34,077
Non-current liabilities				
Borrowings-non-current	21(A)	139,085	—	—
Pension liability	25	7,602	4,317	—
Post-retirement liability	26	1,605	1,550	1,379
Deferred tax liabilities	13	14,841	4,713	7,551
Provision for product liability-long-term portion	22	10,488	11,076	5,750
Other non-current liabilities		2,105	1,102	1,459
Redeemable preferred shares	27	44,547	50,027	38,892
		220,273	72,785	55,031
		162,631	110,673	89,108

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Common stock	Additional paid-in capital	Accumulated losses	Pension and post-retirement liabilities	Translation reserve	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
At January 1, 2011	2	124,164	(162,797)	(1,893)	(16)	(40,540)
Loss for the year	—	—	(13,935)	—	—	(13,935)
Other comprehensive expense for the year	—	—	—	(1,858)	(1,559)	(3,417)
Total comprehensive expense for the year	—	—	(13,935)	(1,858)	(1,559)	(17,352)
Recognition of equity-settled share-based payments	—	250	—	—	—	250
At December 31, 2011	2	124,414	(176,732)	(3,751)	(1,575)	(57,642)
Profit for the year	—	—	92,418	—	—	92,418
Other comprehensive (expense) income for the year	—	—	—	(176)	3,084	2,908
Total comprehensive income (expense) for the year	—	—	92,418	(176)	3,084	95,326
Recognition of equity-settled share-based payments	—	204	—	—	—	204
At December 31, 2012	2	124,618	(84,314)	(3,927)	1,509	37,888
Loss for the year	—	—	(7,500)	—	—	(7,500)
Other comprehensive income (expense) for the year	—	—	—	3,401	(242)	3,159
Total comprehensive (expense) income for the year	—	—	(7,500)	3,401	(242)	(4,341)
Recognition of equity settled share-based payments	—	530	—	—	—	530
At December 31, 2013	2	125,148	(91,814)	(526)	1,267	34,077

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2011	**2012**	**2013**
	USD'000	*USD'000*	*USD'000*
OPERATING ACTIVITIES			
(Loss) profit for the year	(13,935)	92,418	(7,500)
Adjustments for:			
Depreciation of property, plant and equipment	8,840	6,701	4,581
Amortization of intangible assets	7,678	5,306	3,551
Impairment loss recognized in respect of property, plant and equipment	848	353	—
Share-based payment expenses	250	204	220
Deferred taxes	704	(5,710)	1,550
(Gain) loss on sale of property, plant and equipment	(1,134)	(142)	103
Gain on the sale of discontinued operations	—	(110,764)	—
Pension and post-retirement benefits recognition	413	(3,516)	(1,511)
Interests expenses on redeemable preferred shares	4,847	5,480	6,126
Operating cash flows before movements in working capital	8,511	(9,670)	7,120
(Increase) decrease in trade and other receivables	(7,717)	(3,795)	5,502
Decrease (increase) in inventories	4,579	(7,042)	2,514
(Decrease) increase in current liabilities	(1,054)	4,702	(13,951)
Changes in pension liabilities and others	972	(996)	(4,976)
Net cash flows from (used in) operating activities	5,291	(16,800)	(3,791)
INVESTING ACTIVITIES			
Capital expenditures	(6,653)	(6,165)	(4,159)
Proceeds on sale of discontinued operations, net of transaction costs	—	184,612	2,975
Proceeds on sale of property, plant and equipment	1,462	142	2
Net cash flows (used in) from investing activities	(5,191)	178,589	(1,182)

	Year ended December 31,		
	2011	2012	2013
	USD'000	*USD'000*	*USD'000*
FINANCING ACTIVITIES			
Borrowings on revolving credit loan	57,400	57,200	—
Payments on revolving credit loan	(53,600)	(81,300)	—
Payments on revolving credit facility	(268)	(356)	—
Payments on first lien loan	(1,497)	(117,332)	—
Payment of finance costs and others	(111)	(680)	(355)
Net cash flows from (used in) financing activities	1,924	(142,468)	(355)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,024	19,321	(5,328)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(25)	(48)	(33)
CASH AND CASH EQUIVALENTS:			
Beginning of year	4,000	5,999	25,272
End of year	5,999	25,272	19,911
Supplemental cash flow data:			
Interest paid	(12,746)	(4,297)	(565)
Income taxes paid	(1,193)	(1,996)	(1,057)
Supplemental non-cash transactions:			
Assets acquired	—	321	1,053
Proceeds on discontinued operations (included in escrow account) (Note 2)	—	3,575	—
Liabilities incurred on sale of discontinued operations (adjustment of working capital) (Note 2)	—	600	—

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The accompanying Financial Information includes the accounts of Evenflo and its wholly-owned subsidiaries. Evenflo is a private limited liability company incorporated in the United States of America ("U.S."). Its parent is Weston Presidio Management Company, Inc. which is a private limited liability company incorporated in the U.S.. The registered office of Evenflo is 225 Byers Road, Miamisburg, Ohio 45243, the U.S.

The Evenflo Group is engaged in the manufacture and market, under the Evenflo, Exersaucer and Snugli trade names, specialty juvenile products, including juvenile car seats, gates, exersaucers and others (including strollers, stationary activity products, infant travel systems, high chairs, soft carriers and frame carriers). The Evenflo Group sells its products primarily in the U.S., Mexico and Canada.

The Financial Information of the Evenflo Group is presented in United States dollars ("USD") which is the same as the functional currency of Evenflo.

2. DISCONTINUED OPERATIONS

World-Wide Feeding Business

On January 31, 2012, Evenflo completed sale of entire equity interests in its wholly-owned subsidiary, namely Evenflo Mexico S.A.de C.V. ("Evenflo Mexico"), and assets and liabilities of the World-Wide Evenflo Feeding operations ("Evenflo Feeding") (hereinafter collectively referred to as the "World-Wide Feeding Business") to Kimberly Clark Mexico ("KCM"), an independent third party, for a cash consideration of USD125 million, reduced by a USD576,000 adjustment for actual net working capital levels. The World-Wide Feeding Business included manufacture and market of bottles and nipples, Evenflo branded breast pumps, cups, toddler feeding and other feeding related accessories. The World-Wide Feeding Business also included products sourced from the Mexican plant as well as imported bottles, cups and pumps from third party manufacturing partners in China. Evenflo Mexico manufactured bottles, nipples, infant carriers and bibs for the Mexican market and exports to Central America and the U.S. KCM acted as the exclusive distributor for all Evenflo branded products within the territory of Mexico.

Concurrently, four separate agreements were signed including:

1. Purchase and Sale agreement for the disposal of all shares of Evenflo Mexico, disposal of net assets and assignment of contracts related to the World-Wide Evenflo Feeding Business.

2. An agreement for the Evenflo Group to continue to supply Evenflo non-feeding products to Evenflo Mexico with reference to historically applied pricing policy.

3. A Transition Services Agreement for the Evenflo Group ("TSA1") to provide ongoing supply chain, information technology, human resources, financial reporting and management, logistics management and quality assurance services to the newly formed U.S. subsidiary of KCM for a period of one year since January 31, 2012.

4. A perpetual royalty-free license for the exclusive use of Evenflo brand feeding products.

The World-Wide Feeding Business generated revenue of approximately USD64,076,000 and USD4,307,000 for the two years ended December 31, 2011 and 2012, respectively.

In conjunction with the sale, the Evenflo Group and its creditors agreed to amend the existing credit facility to approve the release of their liens on the respective collateral and to replace existing covenants including earnings before interest, tax, depreciation and amortization ("EBITDA") and minimum liquidity covenants with a new, minimum leverage test covenant based on the pro-forma business excluding the World-Wide Feeding Business. In addition to a required repayment of the revolving credit facility of approximately USD15,000,000, the Evenflo Group was also required to use proceeds of approximately USD99,784,000 from sale to reduce borrowings under the First Lien Loan (defined in note 21 (A)).

The Evenflo Group priced the transition services with reference to estimated actual costs to be incurred, including both direct and allocated overhead costs. Revenue of approximately USD2,586,000 and USD918,000 from the TSA1 was recorded during the year ended December 31, 2012 and 2013, respectively. Costs of services provided under the TSA1 included warehousing, procurement and quality assurance that were recognized as cost of sales and distribution and selling expenses. During the year ended December 31, 2013, the Evenflo Group substantially completed provision of services under the TSA1.

Ameda

On December 4, 2012, Evenflo completed the sale of a division ("Ameda division") to Platinum Products LLC, an independent third party, for a cash consideration of USD71,500,000, subject to adjustment for working capital levels. The management of the Evenflo Group estimated the working capital adjustment as USD600,000 at December 31, 2012. Further, 5% of the total sale price is held in escrow at December 31, 2012 which would be released to the Evenflo Group by the first anniversary of the sale.

The Ameda division sold breast pumps, kits and accessories directly to hospitals, prime vendors, institutional retailers and mass retailers in the U.S. and to independent distributors outside of the U.S. Ameda products were manufactured through third party partners in the U.S., China, Switzerland and Mexico.

In addition to the purchase and sale agreement between the Evenflo Group and Platinum Products LLC, the two parties also entered into a Transition Services Agreement for the Evenflo Group ("TSA2") to provide ongoing supply chain, information technology, human resources, financial reporting and management, logistics management and quality assurance services to Platinum Products LLC for a period of up to six months after sale, with commitment to extend certain services for a

period of one year. Approximately USD87,000 and USD1,175,000 of revenue from the TSA2 was recorded during the year ended December 31, 2012 and 2013, respectively. During the year ended December 31, 2013, the Evenflo Group substantially completed provision of services under the TSA2.

The Ameda division generated revenue of approximately USD30,251,000 and USD28,971,000 for the years ended December 31, 2011 and 2012, respectively.

Analysis of assets and liabilities when control was lost is as follows:

	Ameda		**World-wide Feeding Business**		**Aggregate**	
	December 31, 2011	**December 4, 2012**	**December 31, 2011**	**January 31, 2012**	**December 31, 2011**	**January 31, 2012 and December 4, 2012**
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Assets						
Cash and cash equivalents	—	—	907	225	907	225
Trade and other receivables	4,343	5,164	9,065	9,081	13,408	14,255
Inventories	2,248	2,997	9,655	10,569	11,903	13,566
Deferred tax assets	—	—	447	558	447	558
Other assets	796	530	—	—	796	520
Property, plant and equipment	3,345	3,398	5,502	5,643	8,847	9,041
Intangible assets	18,893	17,807	34,332	33,986	53,225	51,793
Total assets	29,625	29,896	59,908	60,062	89,533	89,958
Liabilities						
Trade payables	2,115	1,569	5,291	4,964	7,406	6,533
Accrued expenses	601	421	3,452	3,368	4,053	3,789
Revolving credit facility	—	—	358	—	358	—
Other long-term liability	12	44	470	470	482	514
Deferred tax liabilities	—	—	5,198	5,164	5,198	5,164
Total liabilities	2,728	2,034	14,769	13,966	17,497	16,000
Net assets	26,897	27,862	45,139	46,096	72,036	73,958

	Ameda	World-wide Feeding Business	Aggregate
	USD'000	*USD'000*	*USD'000*
Consideration	71,500	125,000	196,500
Less: adjustments on consideration (note)	(600)	(1,086)	(1,686)
	70,900	123,914	194,814
Less: transaction costs incurred	(3,360)	(4,623)	(7,983)
	67,540	119,291	186,831
Net assets disposed of	(27,862)	(46,096)	(73,958)
Other comprehensive income released	—	(2,109)	(2,109)
	(27,862)	(48,205)	(76,067)
Gain on disposal	39,678	71,086	110,764
Net cash inflow arising on disposal:			
Adjusted cash consideration	70,900	123,914	194,814
Less: Escrow receivable	(3,575)	—	(3,575)
Less: transaction costs incurred and paid	(3,360)	(3,042)	(6,402)
Less: Cash and cash equivalents disposal of	—	(225)	(225)
	63,965	120,647	184,612

Note: The amount included USD600,000 adjustment of estimated working capital to consideration made by the management in relation to disposal of Ameda division during the year ended December 31, 2012 which was settled as a deduction of consideration receivable from escrow during the year ended December 31, 2013.

The results of the discontinued operations for Relevant Periods, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	Ameda		Evenflo Feeding		Evenflo Mexico		Aggregate	
	Year ended December 31, 2011	Period ended December 4, 2012	Year ended December 31, 2011	Period ended January 31, 2012	Year ended December 31, 2011	Period ended January 31, 2012	Year ended December 31, 2011	Periods up to dates of disposal 2012
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Sales, net	30,251	28,971	23,324	1,487	40,752	2,820	94,327	33,278
Cost of sales	(15,184)	(13,083)	(12,760)	(1,041)	(23,649)	(1,816)	(51,593)	(15,940)
Distribution and selling expenses	(7,010)	(6,703)	(3,192)	(332)	(9,354)	(665)	(19,556)	(7,700)
Administrative expenses	(3,673)	(679)	(404)	—	(4,115)	(4,110)	(8,192)	(4,789)
Finance costs in relation to borrowings wholly repayable within five years	(2,687)	(3,995)	(10,436)	(874)	(73)	(7)	(13,236)	(4,876)
Profit (loss) before taxation	1,697	4,511	(3,508)	(760)	3,561	(3,778)	1,750	(27)
Income tax (expense) credit	(647)	—	1,337	—	(1,157)	(46)	(467)	(46)
Profit (loss) for the year/period	1,050	4,511	(2,171)	(760)	2,404	(3,824)	1,283	(73)
Gain in disposal							N/A	110,764
Less: Income tax expense							N/A	(41,402)
Results of operations from disposal groups							1,283	69,289

As a result of the sale of the World-Wide Feeding Business and Ameda division, the Evenflo Group realized tax gains of approximately USD115,912,000 and USD27,824,000, respectively, which was offsetted in part by USD107,253,000 of federal net operating loss brought forwards.

3. BASIS OF PREPARATION AND APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Basis of preparation

For the purposes of preparing and presenting the Financial Information for the Relevant Periods, the Evenflo Group has consistently applied all new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards, amendments and the related interpretations ("IFRIC ") (hereinafter collectively referred to as the "IFRSs") which are effective for the accounting period beginning on January 1, 2013.

The Evenflo Group early adopted *Amendment to IAS 36 Recoverable Amounts Disclosures for Non-Financial Assets*. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related cash generating unit. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or cash generating unit was determined based on its fair value less costs of disposal.

The Evenflo Group has prepared the disclosure in relation to cash generating units to which goodwill or other intangible assets with definite useful lives had been allocated where there has been no impairment or reversal of the related cash generating units. Other than this, the directors of the Company do not anticipate that the application of these amendments to IAS 36 will have a significant impact on the Financial Information.

The Evenflo Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[4]
Amendments to IFRSs	Annual Improvements to IASs 2011-2013 Cycle[2]
IFRS 9	Financial Instruments[3]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[1]
Amendments to IFRS 11	Accounting for Acquisitions Interests in Joint Operations[6]
Amendments to IAS 16, and IAS 38	Certification of Acceptable Methods of Depreciation and Amortisation[6]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
IFRS 14	Regulatory Deferred Accounts[5]
IFRS 15	Revenue from Contracts with Customers[7]
IFRIC - 21	Levies[1]

1 Effective for annual periods beginning on or after January 1, 2014.

2 Effective for annual periods beginning on or after July 1, 2014.

3 Available for application — the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised.

4 Effective for annual periods beginning on or after July 1, 2014, with limited exceptions.

5 Effective for first annual IFRSs financial statements beginning on or after January 1, 2016.

6 Effective for annual periods on or after January 1, 2016.

7 Effective for annual periods beginning on or after January 1, 2017.

Annual Improvements to IFRSs 2010-2012 Cycle

The *Annual Improvements to IFRSs 2010-2012 Cycle* include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognized in profit and loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after July 1, 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short- term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortization when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortization is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The management of the Evenflo Group does not anticipate that the application of the amendments included in the *Annual Improvements to IFRSs 2010-2012 Cycle* will have a material effect on the Evenflo Group's Financial Information.

Annual Improvements to IFRSs 2011-2013 Cycle

The *Annual Improvements to IFRSs 2011-2013 Cycle* include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

— the property meets the definition of investment property in terms of IAS 40; and

— the transaction meets the definition of a business combination under IFRS 3.

The management of the Evenflo Group does not anticipate that the application of the amendments included in the *Annual Improvements to IFRSs 2011-2013 Cycle* will have a material effect on the Financial Information.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of IFRS 9 are described as follows:

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The management of the Evenflo Group anticipates that the adoption of IFRS 9 in the future will not have a material effect on the Financial Information.

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

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognize the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The management of the Evenflo Group is in the process of assessing the impact of these amendments to the Evenflo Group's results and financial position.

The management of the Evenflo Group does not anticipate that the application of the other new and revised standards, amendments or interpretations will have material impact on the results and the financial position of the Evenflo Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Evenflo Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 -*Share-Based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of Evenflo and entities controlled by Evenflo and its subsidiaries. Control is achieved when Evenflo:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Evenflo Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Evenflo Group obtains control over the subsidiary and ceases when the Evenflo Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Evenflo Group gains control until the date when the Evenflo Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of Evenflo and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of Evenflo and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Evenflo Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Evenflo Group are eliminated in full on consolidation.

Changes in the Evenflo Group's ownership interests in existing subsidiaries

Changes in the Evenflo Group's ownership interests in existing subsidiaries that do not result in the Evenflo Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Evenflo Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of Evenflo.

When the Evenflo Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Evenflo Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. The management of the Evenflo Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Evenflo Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Evenflo Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated discounts and returns, if any.

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Evenflo Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Evenflo Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Evenflo Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Evenflo Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Evenflo Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Evenflo Group's foreign operations are translated into the presentation currency of the Evenflo Group (i.e. United States dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange difference arising, if any are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Evenflo Group's entire interest in a foreign operation or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of Evenflo are reclassified to profit or loss.

Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Retirement benefit costs and termination benefits

Defined benefit retirement benefit plans

For defined benefit retirement benefit plans of the Evenflo Group which included employee retirement benefits plans and post-retirement benefits scheme, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Re-measurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Re-measurement

recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- re-measurement.

The Evenflo Group presents the first two components of defined benefit costs in profit or loss in the line item employee benefits expense. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Evenflo Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Defined contribution retirement benefit plans

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Termination benefit

A liability for a termination benefit is recognized at the earlier of when the Evenflo Group entity can no longer withdraw the offer of the termination benefit and when it recognizes any related restructuring costs.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'loss before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Evenflo Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Evenflo Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. In addition, the Evenflo Group's subsidiaries have legally enforceable rights to set off a tax asset and tax liability when they relate to income taxes levied by the same taxation authority and the taxation authority permits the Evenflo Group's subsidiaries to make or receive a single net payment.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Evenflo Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings and freehold land held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Impairment on tangible and intangible assets

At the end of the reporting period, the Evenflo Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Evenflo Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognized when the Evenflo Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Evenflo Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Restructuring

A restructuring provision is recognized when the Evenflo Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables and cash and cash equivalents are measured at amortized cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognized by applying the effective interest rate.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Evenflo Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 30 to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Evenflo Group are recognized at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities including redeemable preferred shares, borrowings, revolving credit facility and trade payables are subsequently measured at amortized cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognized on an effective interest basis.

Derecognition

The Evenflo Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Evenflo Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Evenflo Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Evenflo Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Evenflo Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

The Evenflo Group derecognizes financial liabilities when, and only when, the Evenflo Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Equity-settled share-based payment transactions

Share-based payment transactions

Share options granted to employees

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (additional paid-in capital).

At the end of the reporting period, the Evenflo Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to additional paid-in capital.

When share options are exercised, the amount previously recognized in the additional paid-in capital will be remained in that reserve.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Evenflo Group's accounting policies, which are described in note 4, the management are required to make judgments and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Useful lives, residual values and impairment assessment of property, plant and equipment

The management of the Evenflo Group determines the residual values, useful lives and related depreciation charges for the Evenflo Group's property, plant and equipment. This estimate is based on the historical experience of the actual residual values and useful lives of plant and equipment of similar nature and functions. In addition, the management of the Evenflo Group assesses impairment whenever events or changes in circumstances and technical innovation of the Evenflo Group's products indicate that the carrying amount of an asset may not be recoverable. The carrying amounts of the Evenflo Group's property, plant and equipment as at December 31, 2011, December 31, 2012 and December 31, 2013 are approximately USD23,927,000, USD13,787,000 and USD13,991,000, respectively.

(b) Impairment of trade receivables

When there is an objective evidence of impairment loss, the Evenflo Group takes into consideration the estimation of future cash flows. The amount of the impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2011, December 31, 2012 and December 31, 2013, the carrying amounts of the Evenflo Group's trade and other receivables are approximately USD42,218,000, USD34,307,000 and USD28,261,000, respectively.

(c) **Write-down of inventories**

Inventories are valued at the lower of cost and net realizable value. Also, the Evenflo Group regularly inspects and reviews its inventories to identify slow-moving and obsolete inventories. When the Evenflo Group identifies items of inventories which have a market price that is lower than its carrying amount or are slow-moving or obsolete, the Evenflo Group would write down inventories in that year. The carrying amounts of the Evenflo Group's inventories as at December 31, 2011, December 31, 2012 and December 31, 2013 are approximately USD44,192,000, USD38,169,000 and USD35,639,000, respectively.

(d) **Estimated useful lives and impairment of intangible assets**

The management of the Evenflo Group determines the estimated useful lives and the amortization method in determining the related amortization charges for the intangible assets acquired. The estimation is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions, with consideration of market condition. The management of the Evenflo Group will increase the amortization charges when useful lives become shorter than previously estimated.

Determining whether intangible assets acquired are impaired requires an estimation of the value in use of the relevant cash generating units. The value in use calculation requires the Evenflo Group to estimate the future cash flows expected to arise from the cash generating units and suitable discount rates in order to calculate their present values. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31 2011, December 31, 2012 and December 31, 2013, the carrying amount of intangible assets of the Evenflo Group was approximately USD102,395,000, USD45,734,000 and USD42,761,000, respectively. Details of the recoverable amount calculations are disclosed in note 15.

(e) **Provision for product liabilities**

Provision for product liabilities made by the Evenflo Group is based estimated future costs to be incurred in claims. There are significant estimates included in the projection, which are discount rate used and assessment on possibility of outcome of the claims based on historical experience. During the years ended December 31, 2011, December 31, 2012 and December 31, 2013, provision of product liabilities are USD5,764,000, USD6,447,000 and USD1,183,000, respectively. As at December 31, 2011, December 31, 2012 and December 31, 2013, carrying values of product liabilities were USD12,715,000, USD13,071,000 and USD8,818,000, respectively.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	December 31,		
	2011	**2012**	**2013**
	USD'000	*USD'000*	*USD'000*
Financial assets			
Loans and receivables:			
Trade receivables	42,218	34,307	28,261
Cash and cash equivalents	5,999	25,272	19,911
Total loans and receivables	48,217	59,579	48,172
Financial liabilities			
Liabilities measured at amortized costs:			
Trade payables	46,639	39,296	29,093
Borrowings	141,432	—	—
Revolving credit facility	358	—	—
Redeemable preferred shares	44,547	50,027	56,153
Total liabilities measured at amortized costs	232,976	89,323	85,246

(b) Financial risk management objectives and policies

The Evenflo Group's major financial instruments include trade receivables, cash and cash equivalents, trade payables, borrowings, redeemable preferred shares and revolving credit facility. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

The management of the Evenflo Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Evenflo Group is exposed to fair value interest rate risk in relation to fixed-rate bank loans and fixed-rate redeemable preferred shares (see notes 21(A) and 27 for details). The Evenflo Group is also exposed to cash flow interest rate risk in relation to variable-rate cash and cash equivalents and

variable-rate revolving credit facility (see notes 17 and 21(B) for details). The management of the Evenflo Group monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The management of the Evenflo Group considers impact of cash flow interest rate risk in relation to variable-rate cash and cash equivalents and revolving credit facility is not material to the Evenflo Group. As a result, no such analysis is provided.

Credit risk

The Evenflo Group's maximum exposure to credit risk which will cause a financial loss to the Evenflo Group include failure to discharge an obligation by the counterparties from the carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position.

The Evenflo Group's credit risk is primarily attributable to the trade receivables from mainly three, three and three customers as at December 31, 2011, 2012 and 2013, respectively. These customers are based in the U.S. engaged in the sales and manufacturing of specialty juvenile products. During the years ended December 31, 2011, 2012 and 2013, these customers accounted for approximately 75% (46%, 18% and 11%), 74% (45%, 19% and 10%) and 70% (44%, 16% and 10%), respectively, and of the Evenflo Group's U.S. net sales from continuing operations. No other customers exceeded 10% of net sales during the years ended December 31, 2011, 2012 and 2013. Receivables from these customers amounted to approximately 55%, 77% and 60%, respectively, of the Evenflo Group's trade receivables balances as at December 31, 2011, 2012 and 2013. A significant portion of the Evenflo Group's sales are to retail-based customers, with a concentration in the U.S. Such concentration could impact the Evenflo Group's overall exposure to credit and other risk as these customers could be affected by similar economic or other conditions. The management of the Evenflo Group currently is of the opinion that there are no significant credit risks, which have not been considered in the determination of its allowance for doubtful accounts.

The Evenflo Group has concentration of credit risk on liquid funds which are deposited mainly with several overseas banks. However, the credit risk on cash and cash equivalent is limited because the majority of the counterparties are sizeable/national banks in the U.S. with good reputation.

Liquidity risk management

The management of the Evenflo Group has built an appropriate liquidity risk management framework for the management of the Evenflo Group's short-term funding and liquidity management requirements. The Evenflo Group manages liquidity risk by closely and continuously monitoring the Evenflo Group's consolidated financial position. The management of the Evenflo Group maintains the sufficiency of cashflows with availability of unutilized banking facilities and internally generated funds. The management of the Evenflo Group also reviews the forecasted cashflows on an on-going

basis to ensure that the Evenflo Group will be able to meet their financial obligations falling due and have sufficient capital for operation and expansion. Maturity of financial obligations will be re-negotiated with creditors and changes on capital expansion plan will be made should the need arise.

The following tables detail the remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cashflows, include both principal and interest, on financial liabilities based on the earliest date in which the Evenflo Group can be required to pay.

	Weighted average effective interest rate	**Less than 6 months**	**6 months to 1 year**	**1 year to 2 years**	**Total undiscounted cash flows**	**Carrying amounts**
	%	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
At December 31, 2011						
Financial liabilities						
Trade payables		46,639	—	—	46,639	46,639
Borrowings						
- Fixed-rate	8.0	1,196	1,196	150,355	152,747	141,432
Revolving credit facility	7.7	372	—	—	372	358
Redeemable preferred shares	12.2	—	5,480	44,547	50,027	44,547
		48,207	6,676	194,902	249,785	232,976
At December 31, 2012						
Financial liabilities						
Trade payables		39,296	—	—	39,296	39,296
Redeemable preferred shares	12.2	—	6,126	56,153	62,279	50,027
		39,296	6,126	56,153	101,575	89,323
At December 31, 2013						
Financial liabilities						
Trade payables		29,093	—	—	29,093	29,093
Redeemable preferred shares	12.2	—	19,474	43,558	63,032	56,153
		29,093	19,474	43,558	92,125	85,246

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair value

The fair values of financial assets and financial liabilities of the Evenflo Group are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management of the Evenflo Group considers that the carrying amounts of financial assets and financial liabilities of the Evenflo Group recognized at amortized cost in the Financial Information approximate their fair values.

Capital risk management

The Evenflo Group manages its capital to ensure that the group entities and Evenflo will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Evenflo Group's overall strategy remains unchanged during the Relevant Periods.

The capital structure of the Evenflo Group consists of cash and cash equivalents, borrowings and equity.

The management of the Evenflo Group reviews the capital structure regularly. The management of the Evenflo Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, capital injection as well as raising and repayment of borrowings and loans.

7. REVENUE AND SEGMENT INFORMATION

The Evenflo Group is engaged in the manufacture and market of specialty juvenile products with the Evenflo, Exersaucer and Snugli tradenames. The products of the Evenflo Group include juvenile car seats, gates, exersaucers and others (including strollers, stationary activity products, infant travel systems, high chairs, soft carriers and frame carriers). The chief executive officer is the chief operating decision maker who makes decisions about resources allocation and performance assessment.

The chief operating decision maker focused on and reviewed performance and results of operations derived by the core operations by geographical locations. In addition, the chief operating decision maker also regularly reviewed the assets, liabilities and financial position of the core operations by geographical locations. The chief operating decision maker only focused on the performance, financial results, costs, liabilities and financial position of the core operations in the U.S. as these operations contributed substantially all revenue and results of the Evenflo Group during the Relevant Periods and substantial portion of total assets and net assets at the end of each reporting period. As a result of this, the Evenflo Group has only one operating and reportable segment for financial reporting purpose. The Evenflo Group's segment result is the (loss) profit for the years from continuing operations.

An operation locating in Mexico, mainly composed of the Ameda division and the World-Wide Feeding Business were discontinued in the year ended December 31, 2012. Relevant information is described in more detail in note 2.

Revenue from major products

	Year ended December 31,		
	2011	**2012**	**2013**
	USD'000	*USD'000*	*USD'000*
Car seats	132,902	131,998	122,740
Exersaucers	21,074	21,600	23,209
Gates	35,352	33,097	28,538
Others	22,509	31,990	33,528
	211,837	218,685	208,015

Geographical information

Substantially all non-current assets are located in the U.S.

In addition, substantially all Evenlfo Group's revenue from continuing operations from external customers is from the U.S. where is the domicile of the group entities.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Evenflo Group are as follows

	Year ended December 31,		
	2011	**2012**	**2013**
Customer A	46%	45%	44%
Customer B	18%	19%	16%
Customer C	11%	10%	10%

Note: No other customers contributed over 10% of the total sales of the Evenflo Group.

8. RESTRUCTURING CHARGES

The Evenflo Group incurred certain charges related to restructuring the core business following the sale of the World-Wide Feeding Business and Ameda division. Such amounts consist of the following:

	Year ended December 31,		
	2011	**2012**	**2013**
	USD'000	*USD'000*	*USD'000*
Restructuring consulting fees	—	2,862	—
Severance	—	720	1,047
Warehouse closure	—	90	—
Others	—	29	—
Total	—	3,701	1,047

9. OTHER GAINS AND LOSSES

	Year ended December 31,		
	2011	**2012**	**2013**
	USD'000	*USD'000*	*USD'000*
Foreign exchange gain (loss), net	43	(179)	(74)
Impairment recognized in respect of property, plant and equipment	(848)	(353)	—
Gain (loss) on disposal of property, plant and equipment	1,134	142	(103)
	329	(390)	(177)

10. FINANCE COSTS

	Year ended December 31,		
	2011	**2012**	**2013**
	USD'000	*USD'000*	*USD'000*
Interest on bank borrowings wholly repayable within five years	635	763	731
Interest expense on redeemable preferred shares	4,847	5,480	6,126
	5,482	6,243	6,857

11. (LOSS) PROFIT FOR THE YEAR

	Year ended December 31,		
	2011	**2012**	**2013**
	USD'000	*USD'000*	*USD'000*
(Loss) profit for the year has been arrived at after charging:			
Directors' remuneration (note 12)	342	1,080	744
Other staff costs and staff's retirement benefits scheme contributions	45,471	45,125	35,702
Total staff costs	45,813	46,205	36,446
Auditor's remuneration	371	500	221
Cost of inventories recognized as expense	171,763	173,321	160,617
Depreciation of property, plant and equipment	8,840	6,701	4,581
Amortization of intangible assets	7,678	5,306	3,551
Research and development expense	6,154	6,874	5,576
Operating lease rentals in respect of rented premises	2,902	2,523	1,089

12. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

For the year ended December 31, 2011

	Directors				Chief Executive	
	Perry Odak	Lynn Baranski	Scott Bell	Kevin Hayes	Scott Weiss	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Fees	35	—	—	—	—	35
Other emoluments						
Salaries and other benefits	—	—	—	—	300	300
Contributions to retirement benefits schemes	—	—	—	—	7	7
Total emoluments	35	—	—	—	307	342

For the year ended December 31, 2012

	Directors				Chief Executive	
	Perry Odak	Lynn Baranski	Scott Bell	Kevin Hayes	Scott Weiss	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Fees	44	—	—	—	—	44
Other emoluments						
Salaries and other benefits	—	—	—	—	400	400
Bonuses	—	—	—	—	550	550
Contributions to retirement benefits schemes	—	—	—	—	7	7
Share-based payments	—	—	—	—	79	79
Total emoluments	44	—	—	—	1,036	1,080

For the year ended December 31, 2013

	Directors					Chief Executive	
	Perry Odak	**Michael DuBose**	**Lynn Baranski**	**Scott Bell**	**Kevin Hayes**	**Scott Weiss**	**Total**
	USD'000	*USD'000* (note)	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Fees	62	30	—	—	—	—	92
Other emoluments							
Salaries and other benefits	—	—	—	—	—	400	400
Bonuses	—	—	—	—	—	100	100
Contributions to retirement benefits schemes	—	—	—	—	—	7	7
Share-based payments	—	—	—	—	—	145	145
Total emoluments	62	30	—	—	—	652	744

Note: He was appointed during the year ended December 31, 2013

Bonuses were determined with reference to the performance of the Evenflo Group and individuals during the Relevant Periods.

Scott Weiss is the Chief Executive of Evenflo and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

Neither the Chief Executive nor any of the directors waived any emoluments in the Relevant Periods.

No payment for loss of office nor incentives for joining or upon joining were made to the Chief Executive or any directors during the Relevant Periods.

(b) **Employees' emoluments**

The five highest paid individuals of the Evenflo Group included one director during the year ended December 31, 2012 and December 31, 2013. Details of whose emoluments are set out above. The emoluments of the five, four and four individuals during December 31, 2011, December 31, 2012 and December 31, 2013 are as follows:

	Year ended December 31,		
	2011	**2012**	**2013**
	USD'000	*USD'000*	*USD'000*
Employees			
- Basic salaries and allowances	1,312	1,112	1,115
- Bonuses	77	1,373	338
- Retirement benefit scheme contributions	27	27	24
- Share-based payment expenses	66	52	68
	1,482	2,564	1,545

None of the five highest paid individuals of the Evenflo Group waived any emoluments in the Relevant Periods.

No payment for loss of office nor incentives for joining were made to the five highest paid individuals during the Relevant Periods.

Their emoluments were within the following bands:

	Year ended December 31,		
	2011	**2012**	**2013**
HK$2,000,001 to HK$2,500,000 (equivalent to approximately USD257,070 to USD321,337)	1	—	2
HK$2,500,001 to HK$3,000,000 (equivalent to approximately USD321,338 to USD385,604)	2	—	—
HK$3,000,001 to HK$3,500,000 (equivalent to approximately USD385,605 to USD449,871)	1	—	—
HK$3,500,001 to HK$4,000,000 (equivalent to approximately USD449,872 to USD514,139)	1	1	2
HK$4,500,001 to HK$5,000,000 (equivalent to approximately USD578,406 to USD642,674)	—	2	—
HK$6,000,001 to HK$6,500,000 (equivalent to approximately USD771,208 to USD835,476)	—	1	—

13. INCOME TAXES

The components of the income tax (charge) credit are as follows:

	Year ended December 31,		
	2011	**2012**	**2013**
	USD'000	*USD'000*	*USD'000*
Current taxes:			
Hong Kong profits tax	—	—	—
U.S. Federal taxes (note)	(697)	36,095	1,581
U.S. State taxes (note)	(134)	736	458
Foreign taxes	(47)	(1,181)	(297)
	(878)	35,650	1,742
Deferred taxes:			
U.S. Federal taxes	(444)	5,163	(2,336)
U.S. State taxes	(108)	162	648
Foreign taxes	(354)	316	175
	(906)	5,641	(1,513)
Total tax (charge) credit for the year	(1,784)	41,291	229

Note: During the year ended December 31, 2012, included in the amount was tax credit of U.S. federal taxes and state taxes of approximately USD38,849,000 and USD2,553,000, respectively, resulting from utilization of tax losses incurred in prior year, which reduced the tax effect for gain from disposal of discontinued operations. Included in the amount for the year ended December 31, 2013 was overprovision of U.S. federal taxes of approximately USD2,449,000 and refund of state taxes of approximately USD517,000.

The differences between the effective income tax rate and the U.S. statutory rate are as follows:

	Year ended December 31,		
	2011	**2012**	**2013**
	%	*%*	*%*
U.S. Federal tax rate	35	35	35
U.S. State income tax	(2)	2	3
Non-U.S. tax rate differences	(4)	1	3
Permanent items	18	(47)	(44)
Utilization of tax losses previously not recognized (note)	(34)	(218)	—
Effective tax rate	13	(227)	(3)

Notes: The amount for the year ended December 31, 2011 and December 31, 2012 mainly represented utilization of tax losses previously not recognized.

Deferred income taxes are provided for the temporary differences between the financial reporting and tax basis of assets and liabilities at currently enacted tax rates. The following is the analysis of the deferred tax balances for reporting purposes:

	Year ended December 31,		
	2011	**2012**	**2013**
	USD'000	*USD'000*	*USD'000*
Deferred tax assets	—	189	1,556
Deferred tax liabilities	(14,841)	(4,713)	(7,551)

The following are major deferred tax assets and liabilities recognized and movements during the Relevant Periods:

	Intangible assets amortization	**Inventory provision**	**Pension liability**	**Post retirement benefits**	**Foreign tax credit**	**Depreciation**	**Others**	**Total**
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
At January 1, 2011	(27,534)	541	2,776	629	(379)	2,763	7,271	(13,933)
Exchange realignment	(2)	—	—	—	—	—	—	(2)
Credit (charge) for the year	2,536	(195)	(163)	3	379	579	(4,045)	(906)
At December 31, 2011	(25,000)	346	2,613	632	—	3,342	3,226	(14,841)
Exchange realignment	70	—	—	—	—	—	—	70
Eliminated on discontinued operations	7,164	—	—	—	—	—	(2,558)	4,606
Credit (charge) for the year	2,066	79	(1,291)	(13)	3,288	(783)	2,295	5,641
At December 31, 2012	(15,700)	425	1,322	619	3,288	2,559	2,963	(4,524)
Exchange realignment	42	—	—	—	—	—	—	42
Credit (charge) for the year	1,366	(69)	(1,481)	(101)	(1,399)	(525)	696	(1,513)
At December 31, 2013	(14,292)	356	(159)	518	1,889	2,034	3,659	(5,995)

As of December 31, 2011, 2012 and 2013, the Evenflo Group had approximately USD120 million, USD13 million and USD13 million, respectively, of federal net operating tax losses carry forwards that expire beginning in 2019, 2020 and 2021 when the tax losses expire 20 years since they arose. As a result of a previous acquisition which occurred on August 3, 2004, there was a change in ownership of the Evenflo Group as defined by Section 382 of the Internal Revenue Code of U.S. taxes, which limits the Evenflo Group's ability to utilize its pre-acquisition net operating loss carry forwards incurred prior to August 3, 2004 to approximately USD3,400,000 per year. At December 31, 2011, December 31, 2012 and December 31, 2013, federal net operating tax losses carry forwards of approximately USD17 million, USD13 million and USD13 million, respectively, are subject to this limitation.

14. LOSS (EARNINGS) PER SHARE

From continuing and discontinued operations

The calculation of basic and diluted (loss) earnings per share attributable to the owners of Evenflo is based on the following data:

	Year ended December 31,		
	2011	**2012**	**2013**
	USD'000	*USD'000*	*USD'000*
Loss (earnings) for the purpose of basic (loss) earnings per share (results for the year attributable to owners of Evenflo)	(13,935)	92,418	(7,500)
Weighted average number of common stock for the purpose of basic (loss) earnings per share	221,716	223,037	225,487

During the Relevant Periods, diluted (loss) earnings per share are the same s basic (loss) earnings per share as there was no outstanding equity instruments which had dilutive effect on (loss) earnings per share of the Evenflo Group.

From continuing operations

The calculation of basic and diluted (loss) earnings per share from continuing operations attributable to the owners of Evenflo is based on the following data:

	Year ended December 31,		
	2011	**2012**	**2013**
	USD'000	*USD'000*	*USD'000*
(Loss) profit for the year attributable to owners of Evenflo	(13,935)	92,418	(7,500)
Less: Profit (loss) for the year from continuing operations	(1,283)	(69,289)	—
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share from continuing operations	(15,218)	23,129	(7,500)

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share.

From discontinued operations

Basic and diluted earnings per share for the discontinued operation is USD5.79 and USD310.66 for the year ended December 31, 2011 and 2012, respectively, based on the profit of approximately USD1,283,000 and USD69,289,000 for the respective year from the discontinued operation and the denominators detailed above for both basic and diluted earnings per share.

15. INTANGIBLE ASSETS

The movements of intangible assets are as follows:

	Capitalized development cost	Patents	Customer relationships	Trademarks	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
COSTS					
At January 1, 2011	2,726	8,480	101,528	23,943	136,677
Additions	998	—	—	—	998
At December 31, 2011	3,724	8,480	101,528	23,943	137,675
Additions	438	—	—	—	438
Disposal of discontinued operations	(1,236)	(2,798)	(53,573)	(12,649)	(70,256)
At December 31, 2012	2,926	5,682	47,955	11,294	67,857
Additions	577	—	—	—	577
At December 31, 2013	3,503	5,682	47,955	11,294	68,434
Amortization					
At January 1, 2011	500	5,162	21,940	—	27,602
Charge for the year	1,257	545	5,876	—	7,678
At December 31, 2011	1,757	5,707	27,816	—	35,280
Charge for the year	791	382	4,133	—	5,306
Eliminated on disposal of discontinued operations	(661)	(1,899)	(15,903)	—	(18,463)
At December 31, 2012	1,887	4,190	16,040	—	22,123
Charge for the year	472	365	2,713	—	3,551
At December 31, 2013	2,359	4,555	18,759	—	25,673
CARRYING AMOUNTS					
At December 31, 2011	1,967	2,773	73,713	23,943	102,395
At December 31, 2012	1,039	1,492	31,909	11,294	45,734
At December 31, 2013	1,144	1,127	29,196	11,294	42,761

Capitalized development cost, patents and customer relationships have finite lives and are amortized on a straight-line basis over the following periods:

Capitalized development cost	3 years
Patents	10 years
Customer relationships	16-20years

The carrying value of intangible assets was recorded at fair value at the time of acquisition. Assets identified in connection with acquisitions include patents, customer relationships, Evenflo and Ameda trademarks.

Trademarks are non-amortized intangible assets, which are determined by the Evenflo Group to have an indefinite life, consist of trademarks associated with Evenflo of approximately USD11,294,000, USD11,294,000 and USD11,294,000 at December 31, 2011, 2012 and 2013 and Ameda of approximately USD 12,649,000, nil and nil at December 31, 2011, 2012 and 2013, respectively. At the end of each reporting period, the management of the Evenflo Group assesses whether there has been an impairment by comparing anticipated discounted cash flows associated with the respective trademarks with their carrying values. If this review indicates that the carrying values of these indefinite lived assets are greater than the estimated future discounted cash flows associated with the assets, the carrying values of the relevant assets will be reduced.

The Evenflo Group evaluates the carrying values of intangible assets for impairment when there are indications of impairment. Assessment performed by the management of the Evenflo Group in relation to recoverability is based on forecasted operating cash flows of each intangible asset. As a result of this review, the management of the Evenflo Group makes adjustments to the remaining useful life of intangible assets, if any, and modifications to current and future amortization expense, if applicable. No significant changes to the useful lives of the Evenflo Group's intangible assets were made during Relevant Periods.

For the purposes of impairment testing, trademarks and customer relationships have been allocated to two individual cash generating units ("CGUs") which are the Evenflo CGU and the Ameda CGU. During the Relevant Periods, the management of the Evenflo Group determines that there are no impairments of any of its CGUs containing trademarks with indefinite useful lives.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amounts of the Evenflo CGU and the Ameda CGU have been determined on the basis of value in use calculations. Their recoverable amounts are based on certain similar key assumptions. The value in use calculations use cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 12.5%, 12.5% and 19.0% in 2011, 2012 and 2013, respectively. Sets of cash flows beyond the 5-year period are extrapolated using a 2% growth rate. This growth rate is based on the relevant industry growth forecasts and does

not exceed the average long-term growth rate for the relevant industry. Cash flow projections during the budget period for the trademarks are also based on the budgeted sales and expected gross margins during the budget period. Expected cash inflows/outflows, which include budgeted sales, gross margin and raw material price inflation have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of these trademarks did not exceed their respective carrying values.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Land	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*
COST				
At January 1, 2011	11,293	47,617	3,345	62,255
Additions	405	6,440	—	6,845
Disposals	(203)	(4,332)	(87)	(4,622)
At December 31, 2011	11,495	49,725	3,258	64,478
Additions	277	5,549	—	5,826
Disposals	(5)	(1,181)	—	(1,186)
Disposals of discontinued operations	(916)	(16,486)	(752)	(18,154)
At December 31, 2012	10,851	37,607	2,506	50,964
Additions	47	4,844	—	4,891
Disposals	—	(111)	—	(110)
At December 31, 2013	10,898	42,340	2,506	55,744
DEPRECIATION AND IMPAIRMENT				
At January 1, 2011	5,290	29,352	—	34,642
Provided for the year	1,264	7,576	—	8,840
Eliminated on disposals	(85)	(3,694)	—	(3,779)
Impairment recognized during the year	—	848	—	848

	Buildings	Plant and machinery	Land	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*
At December 31, 2011	6,469	34,082	—	40,551
Provided for the year	1,267	5,434	—	6,701
Eliminated on disposals	(5)	(1,310)	—	(1,315)
Eliminated on disposals of discontinued operations	(459)	(8,654)	—	(9,113)
Impairment recognized during the year	—	353	—	353
At December 31, 2012	7,272	29,905	—	37,177
Provided for the year	1,087	3,494	—	4,581
Eliminated on disposals	—	(5)	—	(5)
At December 31, 2013	8,359	33,394	—	41,753
CARRYING VALUES				
At December 31, 2011	5,026	15,643	3,258	23,927
At December 31, 2012	3,580	7,701	2,506	13,787
At December 31, 2013	2,540	8,946	2,506	13,991

The above items of property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives after taking into account the residual values:

Buildings	Over the shorter of the period of the respective lease and 20 years
Plant and machinery	3 to 7 years

The above buildings are located on freehold land leases.

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Evenflo Group are mainly bank balances with liquidity less than three months and carry interest at market rates at December 31, 2011, 2012 and 2013.

18. TRADE RECEIVABLES/PREPAYMENTS AND OTHER RECEIVABLES

	At December 31,		
	2011	**2012**	**2013**
	USD'000	*USD'000*	*USD'000*
Trade receivables	42,587	34,452	28,395
Less: allowance for doubtful debts	(369)	(145)	(134)
Trade receivables, net	42,218	34,307	28,261
Prepayments	3,964	3,400	2,152
Other receivables	819	3,781	826
Prepayments and other receivables	4,783	7,181	2,978

The Evenflo Group allows credit period ranging from 30 to 90 days to its trade customers, on case-to-case basis. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice dates at each end of each reporting period, which approximated the respective revenue recognition dates.

	At December 31,		
	2011	**2012**	**2013**
	USD'000	*USD'000*	*USD'000*
0-30 days	26,433	21,240	16,996
31-60 days	12,125	9,519	7,121
61-90 days	3,660	2,312	2,239
>90 days	—	1,236	1,905
	42,218	34,307	28,261

Included in the Evenflo Group's trade receivable balance are debtors with aggregate carrying amount of USD1,004,000, USD1,764,000 and USD2,712,000 at December 31, 2011, 2012 and 2013, respectively which are past due as at the reporting date for which the Evenflo Group has not provided for impairment loss as the Evenflo Group recovered substantially all the balances subsequently. The Evenflo Group does not hold any collateral over these balances. The average age of these receivables is 180 days at December 31, 2011, 2012 and 2013.

Ageing of trade receivables which are past due but not impaired is as follows.

	At December 31,		
	2011	**2012**	**2013**
	USD'000	*USD'000*	*USD'000*
61-90 days	461	86	269
91-120 days	543	1,678	2,443
Total	1,004	1,764	2,712

The Evenflo Group has provided fully for receivables which were considered not recoverable in accordance with historical experience. Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately USD369,000, USD145,000 and USD134,000 at December 31, 2011, 2012 and 2013, respectively, which have either been placed under liquidation or in severe financial difficulties.

The Evenflo Group did not provide for trade receivables that are neither past due nor impaired at the end of each reporting period as the debtors have no default history and of good credit quality.

19. INVENTORIES

	At December 31,		
	2011	**2012**	**2013**
	USD'000	*USD'000*	*USD'000*
Raw materials	13,517	10,842	11,689
Work in progress	6,550	8,194	6,813
Finished goods	24,125	19,133	17,137
	44,192	38,169	35,639

20. TRADE PAYABLES/OTHER PAYABLES AND ACCRUALS

	At December 31,		
	2011	2012	2013
	USD'000	*USD'000*	*USD'000*
Trade payables	46,639	39,296	29,093
Accrued benefits of employees	3,232	2,243	3,080
Accrued advertising and promotion charges	4,006	5,731	2,881
Other accruals	2,858	2,162	1,606
Total other payables and accruals	10,096	10,136	7,567

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	At December 31,		
	2011	2012	2013
	USD'000	*USD'000*	*USD'000*
0-30 days	26,526	27,663	18,215
31-60 days	10,708	7,043	5,864
61-90 days	6,517	4,336	3,308
>90 days	2,888	254	1,706
	46,639	39,296	29,093

The average credit period on purchases of goods is 60 days.

21. DEBT ARRANGEMENTS

(A) Borrowings

	At December 31,		
	2011	**2012**	**2013**
	USD'000	*USD'000*	*USD'000*
Revolving credit loan - unsecured	24,100	—	—
First lien loan - secured	117,332	—	—
Total debt	141,432	—	—
Less: current portion	(2,347)	—	—
Long-term portion, more than one year, but not exceeding two years	139,085	—	—

On December 4, 2012, in conjunction with the sale of Ameda division (Note 2), the Evenflo Group paid off all remaining obligations under its existing credit agreement dated February 7, 2007 which included a secured credit facility with a revolving credit loan ("Revolving Credit Loan") and first lien loans ("First Lien Loans") (collectively referred to the "Credit Agreement") and cancelled the Credit Agreement.

Revolving Credit Loan

The Revolving Credit Loan provided USD40,000,000 committed credits to the Evenflo Group, which was available for working capital needs and general purposes, for letters of credit, and for borrowings on the same-day notice. At December 31, 2011, the Evenflo Group had available unused credits of approximately USD3,356,000 (after drawn down non-current credit balances of USD24,100,000 from revolving loans and USD12,544,000 from stand-by letters of credit).

At December 31, 2011, the interest rate was 8.0% per annum. The Evenflo Group also paid a commitment fee on the unused portion of the Revolving Credit Loan on a rate 0.5% per annum and fees on commitments of stand-by letters of credit of 5.4% per annum.

First Lien Loan

The Credit Agreement included a First Lien Loan which was scheduled to mature on February 7, 2013. At December 31, 2011, the interest rate was 8.0% per annum. The Credit Agreement required the Evenflo Group to make two mandatory repayments of USD 2,347,000 each in 2011 and 2012. All other balances were due on maturity as mutually agreed between the contractual parties as at December 31, 2011. For the year ended December 31, 2011, the Evenflo Group made a mandatory repayment of USD2,347,000.

The Evenflo Group's obligations under the Credit Agreement were collateralized pursuant to the terms of the relevant loan agreements which included the following assets as at December 31, 2011 as follows.

	USD'000
Intangible assets	92,994
Property, plant and equipment	22,190
Cash and cash equivalents	5,429
Trade and other receivables	37,223
Inventories	40,619
	198,455

Other credits

The Evenflo Group entered into a USD36,000,000 loan and security agreement with a bank on December 4, 2012. The amount available for borrowing under the agreement is subject to certain limitations, including limitations based on specified levels and balance of eligible inventory, trade receivables, and certain properties at the end of each reporting period. Outstanding letters of credit directly reduce availability of such facility and such letters of credit are limited to USD25,000,000. The Evenflo Group, at its option, may initially borrow, and may convert, the outstanding amounts under the revolving line-of-credit into a Eurodollar Rate Loan, which carried London Interbank Offered Rate ("LIBOR") interest rate for specified periods.

Interest on the revolving line-of-credit is payable monthly at the base rate, which is defined as the prime rate in U.S. plus an applicable margin ranging from 0.5% to 1.3% per annum based on quarterly average excess availability, as defined. Interest on Eurodollar Rate Loans is payable at the end of each applicable interest period, as defined, at the Eurodollar Rate plus an applicable margin ranging from 2.0% to 2.8% per annum based on quarterly average excess availability, as defined. The Evenflo Group pays a monthly "LC Facility Fee" on commitments of - standby letters of credit equal to the applicable margin in effect for Eurodollar Rate Loans (2.5% per annum as of December 31, 2012) times the average stated amount of standby letters of credit. The Evenflo Group is also obligated to pay an "Unused Line Fee" equal to a rate of 0.38% multiplied by an amount equal to USD36,000,000 less the average daily balance of the of outstanding revolved loans and stated amounts of letters of credit during any month. The agreement would expire on December 4, 2017, unless terminated earlier. The Evenflo Group is obliged to pledge substantially all of its assets, and full guarantees will be provided by subsidiaries of the Evenflo Group under this agreement. Under this agreement, the Evenflo Group is required to establish and maintain lock box arrangements with this bank.

As of December 31, 2012 and December 31, 2013, the Evenflo Group had no outstanding borrowings on this credit line. Approximately USD19,200,000 and USD18,867,000 loan credit and USD16,800,000 and USD15,544,000 committed credits of standby letters, which result in an aggregate of USD36,000,000 and USD34,411,000, respectively, was available to the Evenflo Group as at December 31, 2012 and December 31, 2013.

The revolving line-of-credit agreement contains customary covenants, events of default, and restrictions on the Evenflo Group's ability to engage in certain activities including limitations on liens, (ii) limitations on consolidations and mergers of the Evenflo Group and sales of the assets of the Evenflo Group, (iii) restrictions on the purchase, redemption or acquisition of any capital stock, equity interest or any other obligations or other securities and restrictions on the advances, loans, extension of credit or capital contributions to or investment in, other entities, (iv) restrictions on additional indebtedness to be incurred by the Evenflo Group, and (v) restrictions on payments of dividends or other distribution of assets and (vii) compliance with certain financial covenants relating to EBITDA, and maximum levels of capital expenditures annually. At the end of each reporting period, the Evenflo Group was in compliance with these covenants. At December 31, 2012 and December 31, 2013, the Evenflo Group did not have any outstanding balance at this credit line.

(B) **Revolving Credit Facility**

In March 2010, the Evenflo's Mexican subsidiary entered into an agreement with a bank for a revolving line of credit to be used for working capital needs and general purposes. The line of credit was secured by the trade receivables of the Mexican subsidiary. Borrowings against the line of credit were required to be repaid within 180 days from the date the funds were borrowed and bore interest at the Interbank Equilibrium Interest Rate plus an additional margin of 3.0% per annum. The interest rate was adjusted every 30 days. At December 31, 2011, outstanding borrowings on the line of credit were approximately USD358,000 at 7.9% per annum. In connection with the sale of the World-Wide Feeding business (Note 2), this credit facility was repaid prior to January 31, 2012.

The ranges of effective interest rate of the Evenflo Group's borrowings are as follows:

	At December 31,		
	2011	**2012**	**2013**
Effective interest rate:			
Fixed-rate borrowings	8.0%	N/A	N/A
Variable-rate borrowings	7.9%	N/A	N/A

22. PROVISION FOR PRODUCT LIABILITY

	At December 31,		
	2011	**2012**	**2013**
	USD'000	*USD'000*	*USD'000*
Analysed for reporting purposes as:			
Non-current liabilities	10,488	11,076	5,750
Current liabilities	2,227	1,995	3,068
	12,715	13,071	8,818

	Total
	USD'000
At January 1, 2011	13,761
Additional provision in the year	5,764
Payments	(6,810)
At December 31, 2011	12,715
Additional provision in the year	6,447
Payments	(6,091)
At December 31, 2012	13,071
Additional provision in the year	1,183
Payments	(5,436)
At December 31, 2013	8,818

The product liability represents estimated future cash outflows of the indemnity provided by the Evenflo Group to its customers for damages or injuries caused in connection with the use of the Evenflo Group's sold products. The amount of cash outflows are estimated based upon an annual review by management of the Evenflo Group with pattern of past experience how the Evenflo Group discharges its obligation.

The amount of product liabilities provision is estimated based on costs incurred on individual claims filed and reported plus estimated claims incurred but not yet filed nor reported.

In assessing sufficiency of relevant provision, the management of the Evenflo Group makes significant estimates related to future costs of claims incurred, as well as the appropriate discounted value of the estimated claim cost. Actual results could differ from the estimates used in evaluation of this liability by the management of the Evenflo Group. The Evenflo Group records its product liability on a discounted basis. The discount rate used for the calculation of expected discounted cash flows of these balances at December 31, 2011, 2012 and 2013 were 4.00%, 4.00% and 4.00%, respectively, with expected period of claims to be occurred since the delivery and sale of the Evenflo Group's products.

23. COMMON STOCK

Evenflo has authorized 319,602 shares of common stock having a par value of USD0.01 per share during and at the end of each reporting period. Each share of common stock is entitled to one vote.

	Number of shares	Amount
		USD'000
At January 1, 2011	220,548	2
Exercise of share options	2,336	—
At December 31, 2011	222,884	2
Exercise of share options	305	—
At December 31, 2012	223,189	2
Exercise of share options	4,667	—
Retired	(71)	—
At December 31, 2013	227,785	2

The shares issued during the Relevant Periods ranked pari passu with the then existing shares in all respects.

24. SHARE-BASED COMPENSATION TRANSACTIONS

In 2009, an equity incentive plan ("2009 Equity Plan") was launched by Evenflo to grant share options to officers and key employees who will have the right to purchase its common shares.

Under the 2009 Equity Plan, Evenflo may issue incentive share options, from time to time, equal to no more a certain percentage of its issued share capital.

Under the terms of the 2009 Equity Plan, share options and share awards are generally granted at exercise prices equal to the fair values of the respective equity instruments at the respective dates of grant. The options would be vested over certain conditions, which are to be explained in detailed below. Options are expiring in 10 years from dates of grant.

Share options

At December 31, 2011, December 31, 2012 and 2013, there were 31,447, 31,447 and 31,447 of such shares, respectively, reserved for issuances under the "2009 Equity Plan".

There are two tranches of options available to be granted under the 2009 Equity Plan, namely tranche A and tranche B. Tranche A options shall vest and become exercisable on each of the first four consecutive anniversaries of the grant date. Tranche B options shall vest and become exercisable upon transfer of control over Evenflo and continuous employment at the time of change of control over Evenflo. A summary of option activity for the year ended December 31, 2011, 2012 and 2013 is as follows.

	Tranche A options outstanding	Tranche B options outstanding	Total options outstanding	Weighted average exercise price
				USD
Outstanding at January 1, 2011	5,507	8,390	13,897	8.12
Granted	6,396	6,594	12,990	65.70
Exercised	(2,336)	—	(2,336)	8.12
Forfeited upon departure of employees or expired	(540)	(371)	(911)	8.12
Outstanding at December 31, 2011	9,027	14,613	23,640	39.76
Granted	3,479	771	4,250	96.81
Exercised	(305)	—	(305)	8.12
Forfeited upon departure of employees or expired	(975)	(2,858)	(3,833)	8.12
Outstanding at December 31, 2012	11,226	12,526	23,752	55.48
Granted	1,460	1,140	2,600	68.06
Exercised	(4,667)	—	(4,667)	65.70
Forfeited upon departure of employees or expired	(863)	(2,137)	(3,000)	39.81
Outstanding at December 31, 2013	7,156	11,529	18,085	57.19
Exercisable at December 31, 2011	868	—	868	8.12
Exercisable at December 31, 2012	2,461	—	2,461	46.32
Exercisable at December 31, 2013	2,376	—	2,376	57.16

The estimated fair values of each share option granted in the year ended December 31, 2011, 2012 and 2013 were USD65.70, USD96.81 and USD68.06, respectively.

These fair values were calculated using The Black-Scholes pricing model. The inputs into the model were as follows:

	Year ended December 31,		
	2011	**2012**	**2013**
Exercise price	USD65.70	USD96.81	USD68.06
Expected life	5 years	5 years	5 years
Risk-free rate	0.83%	0.72%	1.75%
Expected dividend yield	nil	nil	nil

The expected life used in the model has been adjusted, based on best estimate of the management of the Evenflo Group, for the effects of non-transferability, exercise restrictions and behavioural considerations. Changes in variables and assumptions may result in changes in fair values of the share options.

The Evenflo Group recognized compensation expense of approximately USD250,000, USD204,000 and USD220,000 for the year ended December 31, 2011, 2012 and 2013, respectively.

25. EMPLOYEE RETIREMENT BENEFITS PLANS

Defined contribution plans

The total expense recognized in profit or loss of USD541,000, USD534,000 and USD425,000 represents contributions payable to these plans by the Evenflo Group at rates specified in the rules of the plans during the year ended December 31, 2011, December 31, 2012 and December 31, 2013 respectively.

Defined benefit plan

U.S. operations have a non-contributory, deferred benefit pension plan (the "ERA Plan"). The plan provides employees with pension benefits that either are based on age and compensation or are based on sated amounts for each year of service. The ERA Plan was frozen from August 31, 2002 and replaced by defined contribution plans and no new employees were added to the ERA Plan since then.

The ERA Plan exposes the Evenflo Group to actuarial risks such as investment risk and longevity risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments money market fund and investments in registered investment companies and partnerships. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities, corporate debt, money market fund, registered investment companies and partnerships to leverage the return generated by the fund.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The defined benefit plan liability's present value is calculated by reference to the future salaries of the plan participants. As such, an increase in salaries of the plan participants will increase the liability of the plan.

The Evenflo Group consulted with an actuarial firm when developing overall expected long-term rate of return on plan assets. The overall expected long-term rate of return was developed using various market assumptions in conjunction with the ERA Plan's target asset allocation. The assumptions were based on historical market returns.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	At December 31,		
	2011	**2012**	**2013**
Discount rates used to determine benefit obligations	4.25%	3.50%	4.25%
Discount rate used to determine net periodic benefit cost	5.00%	4.25%	3.50%
Expected long-term rate of return on assets	7.50%	6.50%	6.00%

The benefits expected to be paid in each of the next five fiscal years, and in the aggregate for the five fiscal years thereafter, are as follows:

	At December 31,		
	2011	**2012**	**2013**
	USD'000	*USD'000*	*USD'000*
2012	1,557	—	—
2013	1,147	1,557	—
2014	1,172	1,221	1,849
2015	1,140	1,147	1,137
2016	1,130	1,139	1,152
2017 and onwards	5,513	6,082	7,080

Amounts recognized in profit or loss in respect of these defined benefit plans are as follows.

	Year ended December 31,		
	2011	**2012**	**2013**
	USD'000	*USD'000*	*USD'000*
Return on planned assets, net of administrative costs	(271)	(214)	(305)
Net interest expense	715	623	519
Components of defined benefit costs recognized in profit or loss	454	409	214

The amount included in the consolidated statement of financial position arising from the Evenflo Group's obligation in respect of its defined benefit plans is as follows:

	At December 31,		
	2011	**2012**	**2013**
	USD'000	*USD'000*	*USD'000*
Present value of funded defined benefit obligations	(15,239)	(15,620)	(14,532)
Fair value of plan assets	7,637	11,303	14,969
Net (liabilities) assets arising from defined benefit obligation	(7,602)	(4,317)	437

Note: Net assets arising from defined benefit obligation of USD437,000 as at December 31, 2013 was recorded in other non-current assets.

Movements in the present value of the defined benefit obligations in the current year were as follows:

	At December 31,		
	2011	**2012**	**2013**
	USD'000	*USD'000*	*USD'000*
Opening defined benefit obligation	14,909	15,239	15,620
Interest cost, net	715	623	520
Service costs	573	522	407
Actuarial gains and losses	92	317	(1,197)
Benefits paid	(1,050)	(1,081)	(818)
Closing defined benefit obligation	15,239	15,620	14,532

Movements in the present value of the plan assets in the current year were as follows:

	At December 31,		
	2011	**2012**	**2013**
	USD'000	*USD'000*	*USD'000*
Opening fair value of plan assets	7,864	7,637	11,303
Return on plan assets (excluding amounts included in net interest expense)	(382)	787	2,484
Contributions from the employer	1,205	3,960	2,000
Benefits paid	(1,050)	(1,081)	(818)
Closing fair value of plan assets	7,637	11,303	14,969

Plan Assets — The target and actual weighted-average asset allocation by asset category are as follows:

Assets Category	**Target Allocation**	**Actual allocation 2013**	**2012**	**2011**
Equity securities	60-65%	67%	60%	71%
Fixed income securities	35-40%	33%	40%	29%

As of December 31, 2011, the pension plan assets measured at fair value on a recurring basis were as follows:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)	2011 Total
Common stock — U.S.	4,919	—	—	4,919
Preferred stock — U.S.	194	—	—	194
Corporate debt instruments	1,498	295	—	1,893
Money market fund	—	333	—	333
Registered investment companies	114	—	—	114
Partnerships	184	—	—	184
Total	7,009	628	—	7,637

As of December 31, 2012, the pension plan assets measured at fair value on a recurring basis were as follows:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	2012 Total
Common stock — U.S.	5,589	—	—	5,589
Preferred stock — U.S.	98	—	—	98
Corporate debt instruments	1,832	501	—	2,333
Money market fund	—	2,188	—	2,188
Registered investment companies	907	—	—	907
Partnerships	188	—	—	188
Total	8,614	2,689	—	11,303

As of December 31, 2013, the pension plan assets measured at fair value on a recurring basis were as follows:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable Inputs (Level 3)	2013 Total
Common stock — U.S.	8,203	—	—	8,203
Preferred stock — U.S.	740	—	—	740
Corporate debt instruments	4,000	759	—	4,759
Money market fund	—	235	—	235
Registered investment companies	831	—	—	831
Partnerships	201	—	—	201
Total	13,975	994	—	14,969

The Evenflo Group consults with an investment management firm when developing and executing its investment policy. The portfolio is managed with consideration for diversification, quality and marketability.

There was no change in the methods and assumptions used in preparing the carrying amounts of the defined benefits contribution obligations and plan assets during the Relevant Periods.

26. POST-RETIREMENT BENEFITS SCHEME

Post-retirement health care and life insurance benefits are provided for domestic retired employees and their dependents. Substantially all of the Evenflo Group's U.S. employees will become eligible for those benefits if they reach normal retirement age while working for the Evenflo Group. Most international employees are covered by government-sponsored programs, and the cost to Evenflo Group is not significant. There have been no changes in the plan provisions in the Relevant Periods.

The status of the U.S. post-retirement benefit plans, as of the measurement date, consists of the following:

	2011	**2012**	**2013**
	USD'000	*USD'000*	*USD'000*
Changes in the projected benefit obligation:			
Accumulated post-retirement benefit obligation - beginning of year	1,598	1,605	1,550
Interest cost	76	65	52
Actuarial loss (gain)	27	(68)	(153)
Benefits paid	(96)	(52)	(70)
Accumulated post-retirement benefit obligation - end of period	1,605	1,550	1,379

The components of net post-retirement benefit expense for all plans recognized in profit or loss are as follows:

	2011	**2012**	**2013**
	USD'000	*USD'000*	*USD'000*
Interest cost on accumulated Post-retirement benefit obligation	76	65	52

Key assumptions used in the accounting for post-retirement benefits are summarized below.

	2011	**2012**	**2013**
Discount rate used to determine the benefit obligation at December 31	4.25%	3.50%	4.25%
Assumptions used to determine net periodic benefit cost for the years ended December 31:			
Discount rate	5.00%	4.25%	3.50%
Assumed current year health care cost trend rate:			
Retirees under 65	8.50%	8.00%	7.75%
Medicare eligible retirees	8.50%	8.00%	7.75%
Assumed ultimate trend rate	5.00%	5.00%	5.00%
Year ultimate health care cost rate will be achieved	2035	2035	2035
Effect of 1% increase in health care cost trend rates — accumulated post-retirement benefit obligation	USD17,000	USD16,000	USD21,000
Effect of 1% decrease in health care cost trend rates — accumulated post-retirement benefit obligation	USD(23,000)	USD(19,000)	USD26,000

The benefits expected to be paid in each of the next five fiscal years, and in the aggregate for the five fiscal years thereafter, are as follows:

	2011	**2012**	**2013**
	USD'000	*USD'000*	*USD'000*
2012	164	—	—
2013	156	151	—
2014	162	152	129
2015	155	146	128
2016	35	138	128
2017 and onwards	590	655	737

27. REDEEMABLE PREFERRED SHARES

Evenflo had three categories of preferred shares with par value of USD0.001 per share, namely Series A, Series B-1 and Series B-2, outstanding during the Relevant Periods. The aggregate authorized number of preferred shares at December 31, 2011, 2012 and 2013 was 43,250. The issued and outstanding numbers of preferred shares of Series A, Series B-1 and Series B-2 are 2,500, 7,500 and 23,500 at the end of each reporting period and there is no movement for the preferred shares during the Relevant Periods.

The carrying amounts of the preferred shares at the end of each reporting period are:

	2011	**2012**	**2013**
	USD'000	*USD'000*	*USD'000*
Current portion	—	—	17,261
Non-current portion	44,547	50,027	38,892
	44,547	50,027	56,153

The details of the preferred shares of Series A, Series B-1 and Series B-2 are as follows:

(1) Date of issue of the instruments — The holders of Series A, Series B-1 and Series B-2 subscribed the instruments on June 18, 2009.

(2) Denomination of the instruments - The Series A, Series B-1 and Series B-2 were denominated in USD.

(3) Purchase price for the instruments — The price was USD1,000 per each of shares of Series A, Series B-1 and Series B-2.

(4) Appointment of directors in the board — Only holders of Series B-2 have been assigned to designate one director in the board.

(5) Voting right — The holders of Series A, Series B-1 and Series B-2 are not entitled to receive notice of or attend or vote at general meetings of Evenflo by reason only of being the holder of the instruments. The holders of Series A, Series B-1 and Series B-2 are not entitled to participate in any distribution and/or offers of further securities made by Evenflo by reason only of being the holder of the instruments.

(6) Listing of the instruments - No application will be made for the listing of the instruments on exchange.

(7) Collateral — The holders of Series A, Series B-1 and Series B-2 do not hold any collateral over the instruments.

(8) Dividend rights — The holders of Series A, Series B-1 and Series B-2 have right to receive dividend at rates of 15%, 12% and 12% per annum compounded and mandatorily on the principal amount of the preferred shares.

(9) Redemption - The instruments will be mandatorily redeemed upon consummation of the initial public offering of capital stock of Evenflo pursuant to an effective registration in the stock markets in the U.S. In addition, the holders of Series A and Series B-1 can redeem the instrument anytime on or after June 18, 2014.

(10) Liquidation preference — The holders of Series A, Series B-1 and Series B-2 have preference right to receive the amounts of principal and unpaid dividends ("Liquidation Distribution Amount") from Evenflo upon liquidation of Evenflo prior to the common stockholders and other creditors of the Evenflo Group. The priority to recover the Liquidity Distribution Amount decreases from holders to Series B-1, to holders of Series A and lastly holders of Series B-2.

In the case that there is a transfer of control over Evenflo, preferred shares of Series A, Series B-1 and Series B-2 become redeemable immediately as the transfer is considered to be deemed liquidation of Evenflo as specified in the relevant shareholders' agreements.

(11) Redemption price for the instruments — The price of redemption is the principal amount of the instruments plus any unpaid dividends up to the date of redemption.

(12) Information right — The holders of Series A, Series B-1 and Series B-2 has the right to access books and records of the financial information of the Evenflo Group 120 days after the end of each year.

(13) Participating right — The holders of Series A, Series B-1 and Series B-2 do not have such right.

During the Relevant Periods, the management of the Evenflo Group did not plan for any exercises for initial public offering in the stock markets in the U.S.

The following is the carrying amounts and movements of each series of redeemable preferred shares during the Relevant Periods:

	Series A	Series B-1	Series B-2	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*
At January 1, 2011	3,099	8,927	27,674	39,700
Interest expenses charged to profit or loss	465	1,061	3,321	4,847
At December 31, 2011	3,564	9,988	30,995	44,547
Interest expenses charged to profit or loss	536	1,213	3,731	5,480
At December 31, 2012	4,100	11,201	34,726	50,027
Interest expenses charged to profit or loss	615	1,345	4,166	6,126
At December 31, 2013	4,715	12,546	38,892	56,153

The instruments are recorded as financial liabilities upon initial recognition and subsequently are measured at amortized cost, using the effective interest method.

Upon completion of the Proposed Acquisition, Goodbaby will, as part of the consideration, settle the principal amount and unpaid dividends of the redeemable preferred shares to the holders in accordance with the terms specified in the agreement in relation to the Proposed Acquisition.

28. OPERATING LEASE COMMITMENTS

The Evenflo Group as lessee

At the end of each reporting period, the Evenflo Group was committed to make the following future minimum leases payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	At December 31,		
	2011	2012	2013
	USD'000	*USD'000*	*USD'000*
Within one year	2,387	817	697
In the second to fifth year inclusive	1,986	749	662
	4,373	1,566	1,359

Operating lease payments represented rental payable by the Evenflo Group for certain of its office properties and factory premises. The leases are negotiated for an average term of four years.

29. RELATED PARTY DISCLOSURES

The Evenflo Group has following related parties during the Relevant Periods:

Name of related party	**Relationship**
Credit Suisse Group AG	A shareholder
Pty Integro Finland Ab	Fellow company of Evenflo
Weston Presidio Management Company, Inc.	Holding company

Other related parties included directors and the Chief Executive of the Evenflo Group as detailed in note 12.

As at December 31, 2013, the Evenflo Group had note receivables of approximately USD310,000 due from key management members. The note receivables are unsecured, interest-bearing and will be matured in 2018. The balance was recorded as non-current asset as at December 31, 2013. Upon the completion of the Proposed Acquisition, the balance will be settled as a deduction of the consideration in accordance with the terms specified in the agreement in relation to the Proposed Acquisition. Other than disclosed above, the Evenflo Group did not have any outstanding balances with related parties at December 31, 2011, December 31, 2012 and December 31, 2013.

(a) Compensation of key management personnel

The remuneration of directors and other members of key management during the Relevant Periods were as follows:

	Year ended December 31,		
	2011	**2012**	**2013**
	USD'000	*USD'000*	*USD'000*
Basis salaries and allowances	1,647	1,556	1,607
Bonuses	77	1,923	438
Retirement benefits scheme contributions	27	34	31
Share-based payments expenses	66	131	213
	1,817	3,644	2,289

The remuneration of key management is determined by the Evenflo Group having regard to the performance to individuals and market trends.

(b) During the year ended December 31, 2011 and 2012, Credit Suisse Group AG, an intermediate holding company of Evenflo, received interest from the Evenflo Group of approximately USD12,238,000 and USD4,045,000, respectively, for the borrowings outstanding in that periods.

(c) In addition, Dy Integro Finland Ab, a fellow company of the immediate holding company of Evenflo, provided insurance brokerage and actuarial services to the Evenflo Group at consideration of approximately USD48,000, USD41,000 and USD43,000, respectively, during the year ended December 31, 2011, December 31, 2012 and December 31, 2013.

30. CONTINGENT LIABILITIES

On January 31, 2014, the National Highway Traffic Safety Administration (NHTSA) opened a preliminary evaluation to investigate allegations that the harness buckle in certain model year 2011 — 2013 car seats manufactured by the Evenflo Group may become difficult to unlatch due to contamination from various liquids and/or foods. On April 4, 2014, as a precaution, the Evenflo Group announced a voluntary recall of the car seats which used the harness buckle in question. The Evenflo Group notified the public and its retailers about this recall and offered free replacement buckles and instructions to consumers. The Evenflo Group estimated the costs to implement this recall to be approximately USD2,050,000 and recorded this impact in the Evenflo Group's 2014 results.

31. OTHER MATTERS

(A) In September 2013, the U.S. Department of the Treasury and the International Revenue Service issued final regulations addressing the acquisition, production and improvement of tangible property, and also proposed regulations addressing the disposition of property. These regulations replace previously issued temporary regulations and are effective for tax years beginning January 1, 2014 prospectively. The Evenflo Group assessed the impact of these new regulations and concluded that there will not any material impact on the Evenflo Group's Financial Information.

(B) In order to provide additional supplementary information for the readers of this Financial Information as it will be available on the Stock Exchange, the management of the Evenflo Group translated the assets and liabilities of the Evenflo Group as at December 31, 2013 from USD to Hong Kong dollars ("HKD") which is the presentation currency of Goodbaby.

	HKD'000
Non-current assets	
Property, plant and equipment	108,486
Intangible assets	331,569
Deferred tax assets	12,065
Other non-current assets	7,754
	459,874
Current assets	
Inventories	276,345
Trade receivables	219,136
Prepayments and other receivables	23,091
Cash and cash equivalents	154,390
	672,962
Current liabilities	
Trade payables	225,587
Other payables and accruals	58,675
Provision for product liabilities — current portion	23,789
Redeemable preferred shares	133,842
	441,893
Non-current liabilities	
Post-retirement liabilities	10,693
Deferred tax liabilities	58,550
Provision for product liability — long-term portion	44,586
Other non-current liabilities	11,313
Redeemable preferred shares	301,569
	426,711
Total assets less total liabilities	264,232

The assets and liabilities are translated into HKD at USD to HKD7.754.

No representation is made that any amounts in USD can be or could be converted to HKD at the relevant date and period at the above rate or any other rate at all.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Evenflo Group have been prepared in respect of any period subsequent to December 31, 2013.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

I. UNAUDITED PRO FORMA FINANCIAL INFORMATION

(A) INTRODUCTION OF THE UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

(i) Basis of preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group

The following is the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the "Unaudited Pro Forma Financial Information"), which has been prepared in accordance with Rule 4.29 of the Main Board Listing Rules for the purpose of illustrating the effect of on the assets and liabilities of the Enlarged Group as if the Acquisition had been completed on 31 December 2013.

The Unaudited Pro Forma Financial Information of the Enlarged Group as at 31 December 2013 has been prepared based on the information as set out in:

(a) the audited consolidated statement of financial position of the Group as at 31 December 2013, which has been extracted from the published annual report of the Company for the year ended 31 December 2013;

(b) the audited consolidated statement of financial position of the Target Group as at 31 December 2013 as extracted from the accountants' report of the Target Group as set out in Appendix II to this Circular; and

(c) after taking into account of the unaudited pro forma adjustments, which are directly attributable to the Acquisition and factually supportable, as described in the notes thereto to demonstrate how the Acquisition might have affected the historical financial information in respect of the Group as if the Acquisition had been completed on 31 December 2013.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with other financial information included elsewhere in this Circular.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the directors of the Company for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group as at 31 December 2013 or any future date.

(ii) Unaudited Pro Forma Financial Information of the Enlarged Group

	The Group as at 31 December 2013	The Target Group as at 31 December 2013	Pro forma adjustments			Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 December 2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Audited)	*(Audited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
NON-CURRENT ASSETS						
Property, plant and equipment	707,909	108,486	—	—	—	816,395
Prepaid land lease payments	67,916	—	—	—	—	67,916
Intangible assets	34,970	331,569	—	409,502	—	776,041
Investment in a joint venture	961	—	—	—	—	961
Deferred tax assets	14,820	12,065	—	—	—	26,885
Other not-current assets	—	7,754	—	—	—	7,754
Total non-current assets	826,576	459,874	—	409,502	—	1,695,952
CURRENT ASSETS						
Inventories	797,983	276,345	—	—	—	1,074,328
Trade and notes receivables	738,025	219,136	—	—	—	957,161
Prepayment and other receivables	129,238	23,091	—	—	—	152,329
Due from a related party	235,717	—	—	—	—	235,717
Available-for-sale investments	127,830	—	—	—	—	127,830
Cash and cash equivalents	608,299	154,390	759,892	(1,109,145)	(46,102)	367,334
Total current assets	2,637,092	672,962	759,892	(1,109,145)	(46,102)	2,914,699
CURRENT LIABILITIES						
Trade and notes payables	714,365	225,587	—	—	—	939,952
Other payables, advances from customers and accruals	241,700	58,675	—	—	—	300,375
Interest-bearing bank borrowings	447,239	—	—	—	—	447,239
Income tax payable	5,164	—	—	—	—	5,164
Provision	8,541	23,789	—	—	—	32,330
Redeemable preferred shares	—	133,842	—	(133,842)	—	—
Dividend payable	8	—	—	—	—	8
Total current liabilities	1,417,017	441,893	—	(133,842)	—	1,725,068
NET CURRENT ASSETS	1,220,075	231,069	759,892	(975,303)	(46,102)	1,189,631

	The Group as at 31 December 2013	The Target Group as at 31 December 2013	Pro forma adjustments			Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 December 2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Audited)	*(Audited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
NON-CURRENT ASSETS						
TOTAL ASSETS LESS CURRENT LIABILITIES	2,046,651	690,943	759,892	(565,801)	(46,102)	2,885,583
NON-CURRENT LIABILITIES						
Interest-bearing bank borrowings	—	—	759,892	—	—	759,980
Post-retirement liability	—	10,693	—	—	—	10,693
Provision	—	44,586	—	—	—	44,586
Deferred tax liabilities	19,159	58,550	—	—	—	77,709
Redeemable preferred shares	—	301,569	—	(301,569)	—	—
Other non-current liabilities	—	11,313	—	—	—	11,313
Total non-current liabilities	19,159	426,711	759,892	(301,569)	—	904,193
NET ASSETS	2,027,492	264,232	—	(264,232)	(46,102)	1,981,390

(iii) **Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group**

1. The balances were extracted from the audited consolidated statement of financial position of the Group as at 31 December 2013 as set out in the Company's published annual report for the year ended 31 December 2013.

2. The balances were extracted from the audited consolidated statement of financial position of the Target Group as at 31 December 2013 as set out in the accountants' report of the Target Group in Appendix II to this Circular.

3. The pro forma adjustment represents the new bank loan of USD98,000,000 (equivalent to HK$759,892,000 based on the exchange rate of USD1.00 to HK$7.754) which will be borrowed by the Group from Bank of China New York Branch to finance the cash consideration payable for the Acquisition.

4. The pro forma adjustment reflects the allocation of the cost of the Acquisition to the identifiable assets and liabilities of the Target Group and the effects of the cancellation of redeemable preferred shares and options due to the Acquisition, which represents:

(a) ***Fair value adjustment of the identifiable assets and liabilities of the Target Group***

Upon completion of the Acquisition, the identifiable assets and liabilities of the Target Group in the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group will be accounted for at fair value under the purchase method of accounting in accordance with International Financial Reporting Standard No. 3 *Business Combinations*.

For the purpose of this Unaudited Pro Forma Financial Information, the directors of the Company had assumed that the carrying values of the identifiable assets and liabilities of the Target Group approximated to their fair values, which will be reassessed on the completion date of the Acquisition together with the fair value assessment of the intangible assets and deferred tax impact in relation to such fair value adjustments.

(b) ***Recognition of goodwill in relation to the Acquisition***

Goodwill of the Enlarged Group represents the excess of the cost of the Acquisition over the estimated fair value of the identifiable net assets of the Target Group. Pursuant to the Agreement, the total cash consideration of the Acquisition approximate to USD143,041,667 (equivalent to approximately HK$1,109,145,000 based on the exchange rate of USD1.00 to HK$7.754), subject to deduction of all transaction expenses related to the Acquisition incurred and paid or payable by the Target Company since 30 April 2014 and through to Closing. The Group is also required to pay, or cause to be paid, any aforesaid transaction expenses of the Target Company that remain unpaid immediately prior to Closing. Therefore, the actual consideration may be different from that is stated above.

For the purpose of the preparation of the Unaudited Pro Forma Financial Information and for illustrative purpose, the recognition of goodwill arising from the Acquisition is analyzed as follows:

	31 December 2013
	HK$'000
Consideration of the Acquisition	1,109,145
Less: Carrying amounts of the identifiable assets and liabilities to be acquired after cancellation of redeemable preferred shares and options due to the Acquisition *(Note 1)*	699,643
Goodwill arising from the Acquisition *(Note 2)*	409,502

Note 1: The Target Company had options and three categories of preferred shares with par value of USD0.001 per share, namely Series A, Series B-1 and Series B-2, outstanding as at 31 December 2013, which will be converted into the right to receive cash payments and hence cancelled due to the Acquisition.

Note 2: For the purpose of this Unaudited Pro Forma Financial Information, the Company has assessed if there is any impairment loss on the goodwill arising from the Acquisition in accordance with the International Accounting Standard No. 36 Impairment of Assets which is consistent with the Company's accounting policy. The directors of the Company are of the view that, after performing the impairment assessment, there is no impairment indication of the goodwill arising from the Acquisition as set out in the Unaudited Pro Forma Financial Information.

The directors of the Company confirm, as the preparer of the annual financial statements, the basis used in the preparation of the Unaudited Pro Forma Financial Information will be consistent with the accounting policies of the Group, including the principal accounting policies and assumptions of the valuation of the Target Group to be consistently adopted in the first set of the financial statements of the Company after the completion of the Acquisition.

After the completion of the Acquisition, the management will assess the impairment of intangible assets of the Group at each financial year end and will present the first set of the consolidated financial statements of the Company for 2014 audit. The directors of the Company ascertain all applicable disclosure requirements of the annual financial statements will be complied with applicable approved accounting standards.

Even though the impairment assessment will be carried out in the accounting periods in the future, in view of the date of the Circular and the balance sheet date of the first set of the financial statements of the Company after the completion of the Acquisition, any significant changes in the assessment of goodwill impairment is not expected. Accordingly, the directors of the Company considered that no significant goodwill impairment is expected in the first set of financial statements after the completion of the Acquisition.

Since the fair value of the identifiable net assets of the Target Group at the date of the completion of the Acquisition may be substantially different from the respective value used in the unaudited pro forma statement of assets and liabilities of the Enlarged Group, the goodwill recognized at the completion date of the Acquisition may be different from the amount presented above.

5. The pro forma adjustment represents the transaction costs of the Acquisition incurred by the Group and the total transaction costs, including legal, accounting and other professional parties are approximately HK$46,102,000.

6. No adjustment has been made to reflect the upfront fee and commitment fee relating to the bank loan since the directors of the Company considered the amounts involved would not be significant and are approximately HK$3,489,000, which will be paid before the closing of the Acquisition.

7. Apart from the Acquisition, no other adjustments have been made to the Unaudited Pro Forma Financial Information of the Enlarged Group to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2013. In particular, the Unaudited Pro Forma Financial Information has not taken into account the following event:

   Subsequent to 31 December 2013, a subsidiary of the Company, Goodbaby (Hong Kong) Limited ("GBHK") entered into a Sale and Purchase Agreement (the "SPA") on 27 January 2014, with independent third parties, comprising four individuals and two corporate entities as Mr. Martin Pos, Mr. Matthias Steinacker, Mr. Stefan Huber, Mr. Mankil Cho, Dritte AFM Beteiligungs GmbH and Vierte AFM Beteiligungs GmbH (the "Sellers"). Pursuant to the SPA, GBHK has agreed to acquire the entire issued share capital in Columbus Holding GmbH, a company established in Germany, from the Sellers at a consideration of EUR70,711,539 (equivalent to approximately HK$751,069,681). On 30 January 2014, the transaction was completed and Columbus Holding GmbH became a wholly-owned subsidiary of the Group.

   The Unaudited Pro Forma Financial Information does not include the financial information of Columbus Holding GmbH and its subsidiaries (the "Columbus Group"). The total assets and total liabilities of the Columbus Group extracted from its unaudited consolidated management accounts for the year ended 31 December 2013 approximated to the respective values prepared under the Group accounting policies and amounted to approximately HK$248,397,000 and HK$111,062,000, respectively.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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27 June 2014

The Board of Directors
Goodbaby International Holdings Limited
Room 2001, 20th Floor
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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF GOODBABY INTERNATIONAL HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of the pro forma financial information of Goodbaby International Holdings Limited (the "Company") and its subsidiaries (the "Group") by the directors of the Company ("Directors") for illustrative purpose only. The pro forma financial information consists of the pro forma consolidated statement of financial position of the Group and the WP Evenflo Group Holdings, Inc. ("WP Evenflo") and its subsidiaries ("Target Group") (collectively referred to as the "Enlarged Group") as at 31 December 2013, and related notes as set out on pages 91 to 96 of the circular (the "Circular") (collectively referred to as the "Pro Forma Financial Information") issued by the Company. The applicable criteria on the basis of which the directors have compiled the Pro Forma Financial Information are described on page 91 of the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed acquisition of 100% of the issued share capital of WP Evenflo (the "Acquisition") on the Group's financial position as at 31 December 2013 as if the Acquisition had taken place at 31 December 2013. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2013, on which an audit report has been published and the information about Target Group's consolidated financial position has been extracted by the Directors from Target Group's accountants' report for the year ended 31 December 2013 in the Appendix II of the Circular.

Directors' Responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition had occurred at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition at 31 December 2013 would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Acquisition, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Acquisition in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

This appendix summarizes the business and financial results and other financial information of the Target Group for the three years ended 31 December 2013.

Business and financial results of the Target Group

The Target is a company incorporated in the U.S. and is headquartered in Ohio, the U.S. The Target Group is engaged in the manufacture and sale of quality baby care and juvenile products.

During the three years ended 31 December 2013, the Target disposed of Evenflo Mexico S.A. de C.V. ("Evenflo Mexico") and the World-Wide Evenflo Feeding operations (the "Feeding Business") to Kimberly Clark Mexico for US$125 million, adjusted to US$124.4 million by reference to the actual working capital. The Target also disposed of a division (the "Ameda Division") that was involved in the sale of breast pumps, kits and accessories to Platinum Products LLC for a consideration of US$71.5 million. Please refer to further details about the disposals in the paragraph headed "Material acquisitions and disposals of subsidiaries and associated companies" below.

As at the Latest Practicable Date, the Target Group is involved in the manufacture and market, under the "Evenflo", "Exersaucer" and "Snugli" trade names, specialty juvenile products. The Target Group has products that meet the needs of children from birth to elementary school years, including juvenile car seats, strollers, stationary activity products, infant travel systems, high chairs, gates and soft carriers. Its products are primarily sold in mass retailers like Wal-Mart, Toys "R" Us, Target, Burlington, Kmart, and online retailers such as Amazon.com, and specialty and food and drugs retailers.

The primary markets of the Target Group are the U.S. and Canada.

Revenue and gross profit

Revenue and gross profits of the Target Group for the three years ended 31 December 2013 are as follows:

	For the year ended 31 December		
	2011	**2012**	**2013**
	US$'000	*US$'000*	*US$'000*
Continuing operations			
Sales	211,837	218,685	208,015
Gross profit	40,074	45,364	47,398
Gross profit margin	18.92%	20.74%	22.79%
Discontinuing operations			
Profit for the year from discontinued operations	1,283	69,289	—

During the three years ended 31 December 2013, the Target Group has recorded annual revenue ranging from approximately US$211.8 million to US$208.0 million. During the three years ended 31 December 2013, the Target Group has experienced a gradual increase in gross profit margin from approximately 18.92% in 2011 to 22.79% in 2013, which is primarily attributable to favorable market, customer and product mix.

Cost of sales

	For the year ended 31 December		
	2011	**2012**	**2013**
	US$'000	*US$'000*	*US$'000*
Cost of sales	171,763	173,321	160,617

The cost of sales remains fairly stable, recording a sum of US$171.8 million in 2011, and increased by 0.9% to US$173.3 million in 2012. The cost of sales for 2013 decreased by 7.3% to US$160.6 million in 2013, as compared to US$173.3 million in 2012, which was attributable to a decrease in sales in 2013.

Other operating expenses and income tax

	For the year ended 31 December		
	2011	**2012**	**2013**
	US$'000	*US$'000*	*US$'000*
Distribution and selling expenses	20,183	22,850	20,683
Administrative and other expenses	28,172	30,342	26,383
Finance costs	5,482	6,243	6,857
Income tax expenses / (credit)	1,784	(41,291)	(229)

Distribution and selling expenses

Distribution and selling expenses primarily consist of promotional expenses, overhead and transportation expenses. The distribution and selling expenses increased by 13.2% in 2012 from US$20.2 million in 2011 to US$22.9 million in 2012, and decreased by 9.5% in 2013 from US$22.9 million in 2012 to US$20.7 million in 2013. The decrease was primarily due to revenue trends and market, customer and product mix.

Administrative and other expenses

Administrative and other expenses primarily consist of salaries, research and development costs and office expenses. The administrative expenses increased by 7.8% from US$28.2 million in 2011 to US$30.3 million in 2012, and reduced by 13.0% from US$30.3 million in 2012 to US$26.4 million in 2013. The increase in 2012 was primarily due to certain charges incurred related to the restructuring the core business following the sale of the Feeding Business and the Ameda Division and the decrease in 2013 was primarily due to the Target Group's focus on operations versus managing Feeding Business and Ameda Division divestiture.

Finance costs

The finance costs of the Target Group included mainly interests expenses in relation to borrowings repayable within five years and interest expenses accrued in relation to the redeemable preferred shares during the three years ended 31 December 2013. The increase in finance costs from 2011 to 2012 and 2012 to 2013 was mainly due to the increase in accrued interests for the redeemable preferred shares.

Income tax expense /(credit)

The income tax expense of the Target Group in 2011 was US$1.8 million. In 2012, the Target Group had a tax credit of US$41.3 million mainly due to the utilisation of tax losses in prior years which reduced the tax effect for the gain from the sale of the Feeding Business and the Ameda Division. In 2013, the Target Group had a tax credit of US$0.2 million because of overprovision of U.S. federal taxes and the refund of state taxes.

Profit/(loss) for the year/period

	For the year ended 31 December		
	2011	**2012**	**2013**
	US$'000	*US$'000*	*US$'000*
Continuing operations			
Profit/(loss) for the year	(15,218)	23,129	(7,500)
Discontinuing operations			
Profit for the year/period	1,283	69,289	—
Other comprehensive income	(3,417)	2,908	3,159
Total comprehensive income/(expense) for the year	(17,352)	95,326	(4,341)

Other comprehensive income included pension and post-retirement benefits, exchange differences arising on translation and exchange differences released upon the disposal of discontinuing business.

The Target Group recorded a loss of US$17.4 million in 2011, and a profit of US$95.3 million in 2012. The profit for 2012 was primarily attributable to the gain on the disposals of Evenflo Mexico, the Feeding Business and the Ameda Division of US$69.3 million and a profit for the year of US$23.1 million from the continuing operation of the Target Group.

Financial position and other financial information of the Target Group

Financial resources and gearing ratio

The Target Group generally finances its operations with cash flows generated internally from its operating activities. As at 31 December 2011, 2012 and 2013, cash and cash equivalents of the Target Group was US$5,999,000, US$ 25,272,000 and US$19,911,000, respectively. As at 31 December 2011, bank borrowings of the Target Group were US$141,790,000, comprising of current bank borrowing of US$2,347,000, non-current bank borrowing of US$139,085,000 and revolving credit facility of US$358,000. The Target Group did not have any outstanding bank borrowings as at 31 December 2012 and 2013.

The Target Group had redeemable preferred shares of approximately US$44,547,000, US$50,027,000 and US$56,153,000 as at 31 December 2011, 2012 and 2013, respectively. The redeemable preferred shares were unsecured and carried dividends at rate from 12% to 15% per annum. At 31 December 2011 and 31 December 2012, all redeemable preferred shares were classified as non-current and as at 31 December 2013, US$17,261,000 and US$38,892,000 were classified as current and non-current, respectively, in accordance with the terms of the shareholders' agreement.

The Target Group's gearing ratio (calculated by net liabilities divided by the sum of equity attributable to owners of the Target and net liabilities; the amount of net liabilities was calculated by the sum of trade and notes payables, other payables, interest-bearing loans and borrowings (current and non-current), minus cash and cash equivalents) as at 31 December 2011, 2012 and 2013 was 142.7%, 38.9% and 33.0%, respectively.

On 4 December 2012, the Target Group entered into a US$36,000,000 loan and security agreement (the "Loan and Security Agreement") with a bank, pursuant to which certain loan and credit facilities were granted by the bank to the Target Group. The amount available for borrowing under the Loan and Security Agreement is based on specified levels and balance of eligible inventory, trade receivables, and certain properties at the end of each reporting period. Outstanding letters of credit directly reduce availability of such facility and such letters of credit are limited to USD25,000,000. The Target Group, at its option, may initially borrow, and may convert, the outstanding amounts under the revolving line-of-credit into a Eurodollar rate loan. The agreement would expire on December 4, 2017, unless terminated earlier. The Target Group is obliged to pledge substantially all of its assets, and full guarantees will be provided by subsidiaries of the Target Group under such agreement. As of 31 December 2012 and 2013, the Target Group had no outstanding borrowings on this credit line.

Contingent liabilities

As at 31 December 2011, 2012 and 2013, the Target Group had no contingent liability.

On 31 January 2014, the National Highway Traffic Safety Administration ("NHTSA") of the U.S. opened a preliminary evaluation to investigate allegations that the harness buckle in certain model year 2011-2013 car seats manufactured by the Target Group may become difficult to unlatch due to contamination from various liquids and/or foods. On 4 April 2014, as a precaution, the Target

announced a voluntary recall of the car seats which used the harness buckle in question. The Target notified the public and its retailers about this recall and offered free replacement buckles and instructions to consumers. The Target estimated the costs to implement this recall to be approximately USD2,050,000 and recorded this impact in the Target's 2014 results.

Charge on assets

In conjunction with the sale of the Ameda Division, the Target Group settled all remaining obligations under the credit agreement dated 7 February 2007, which included a secured credit facility with a revolving credit loan and first lean loans. Upon the settlement of all obligations under the credit agreement, the credit agreement was cancelled.

On 4 December 2014, the Target Group entered into the Loan and Security Agreement with a bank for a US$36,000,000 loan and facilities where the Target Group is obliged to pledge substantially all of its assets, and full guarantees will be provided by subsidiaries of the Target Group under such agreement. As of 31 December 2012 and 2013, the Target Group had no outstanding borrowings on this credit line.

Foreign currencies

The main market of the Target Group is in the U.S. and the sales of the Target Group in the foreign market are exclusively denominated in US$ except for sales in Canada denominated in CD$. Accordingly, the Target Group is not exposed to any material foreign exchange risks and the Target Group has not used any hedging instrument to meditate its foreign exchange exposures.

Human resources

As at 31 December 2011, 2012 and 2013, the Target Group had a total of 1,115, 709 and 656 employees. The aggregate amount of remuneration paid to the employees of the Target Group for the three years ended 31 December 2011, 2012 and 2013 were US$45,813,000, US$46,205,000 and US$36,446,000, respectively.

Segmental analysis

The Target Group is engaged in the manufacture and market of specialty juvenile products with the "Evenflo", "Exersaucer" and "Snugli" tradenames. The products of the Target Group include juvenile car seats, strollers, stationary activity products, infant travel systems, high chairs, gates and soft carriers.

U.S. is the main market for the Target Group during the three years ended 31 December 2013.

An operation locating in Mexico, mainly composed of the Ameda Division, the Feeding Business and Evenflo Mexico business, were discontinued in 2012.

The revenue from the major products of the Target Group are as follows:

	For the year ended 31 December		
	2011	**2012**	**2013**
	US$'000	*US$'000*	*US$'000*
Car seats	132,902	131,998	122,740
Exersaucers	21,074	21,600	23,209
Gates	35,352	33,097	28,538
Others	22,509	31,990	33,528
	211,837	218,685	208,015

EBITDA

EBITDA, earnings before interest, taxes, depreciation and amortization, is calculated by adding back finance cost, depreciation and amortization to loss before taxation, share-based payment expenses and provision for trade receivables and excluding other gains and losses and restructuring charges.

The EBITDA of the Target for the three years ended 31 December 2013 are as follows:

	For the year ended 31 December		
	2011	**2012**	**2013**
	US$'000	*US$'000*	*US$'000*
Loss before taxation	(13,434)	(18,162)	(7,729)
Exclude:			
Restructuring	—	3,701	1,047
Other (gain) losses	(329)	390	177
Sub-total	(13,763)	(14,071)	(6,505)
Add back:			
Finance cost	5,482	6,243	6,857
Depreciation and amortization	16,518	12,007	8,132
Share-based payment expenses	250	204	220
Provision for trade receivables	(94)	231	50
EBITDA	8,393	4,614	8,754

EBITDA decreased for 2012 due to the increase in selling, general and administrative expenses, and the increased EBITDA in 2013 was the result of the decreases in cost of goods sold and selling, general and administrative expenses.

Significant investments held

During the three years ended 31 December 2011, 2012 and 2013, the Target Group did not hold any significant investments.

Material acquisitions and disposals of subsidiaries and associated companies

During the three years ended 31 December 2011, 2012 and 2013, the Target Group did not have any material acquisitions.

On 31 January 2012, the Target completed the disposal of Evenflo Mexico, a wholly-owned subsidiary, and the Feeding Business to Kimberly Clark Mexico for USD125 million, reduced by a USD576,000 adjustment for actual net working capital levels as defined. The Feeding Business included bottles and nipples, branded breast pumps, cups, toddler feeding and other feeding related accessories. Evenflo Mexico manufactured bottles, nipples, infant carriers and bibs for the Mexican market and exports to Central America and the U.S. The Feeding Business included products sourced from the Mexican plant as well as imported bottles, cups and pumps from third party manufacturers. Kimberley Clark Mexico acts as the exclusive distributor for all of the "Evenflo" branded products within the territory of Mexico.

The Feeding Business accounted for USD64,076,000 and USD4,307,000 in revenues for the two years ended 31 December 2011 and 2012, respectively.

On 4 December 2012, the Target completed the sale of the Ameda Division to Platinum Products LLC for a consideration of USD71,500,000, subject to adjustment by reference to the working capital levels at completion.

The Ameda Division sold breast pumps, kits and accessories directly to hospitals, prime vendors, institutional retailers and mass retailers in the U.S. and to independent distributors outside of the U.S. Ameda products were manufactured through third party manufacturers in the U.S., China, Switzerland and Mexico.

The Ameda Division accounted for USD30,251,000 and USD28,971,000 in revenues for the two years ended 31 December 2011 and 2012, respectively.

Prospects of the Target Group

The disposals of the Feeding Business and the Ameda Division by the Target Group in 2012 enabled the Target Group to focus on car seats and other core products and the proceeds from the sale have been used to optimize the existing business. With a history dating back to 1920, products of the Target Group have strong brand recognition in the U.S. and have been trusted names in juvenile and infant products. The Target Group's products have a well established distribution network and are sold in the key-retailers in the U.S. The company's product offering spans a range of categories, within which they enjoy leading market share positions. It is envisaged with Completion, the products of the Target Group, together with the products of Cybex which the Company acquired earlier in 2014, would augment the Company's product offering, provide a strong platform for the Group in the both the U.S. and Europe, and create a synergy effect for the Company's future development.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS OF DIRECTORS

(a) Interests of Directors in the shares, underlying shares and debentures of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Nature of Interest	Number of Shares	Approximate percentage of Shareholding
Mr. Song Zhenghuan *(Note 2)*	Beneficiary of a trust	259,000,000(L)	23.52%
Mr. Martin Pos	Beneficiary owner	48,791,873(L)	4.43%

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 "Interests of substantial Shareholders" below for further details of this interest.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) **Interests of Directors in the assets of the Company**

On 27 January 2014, Goodbaby (Hong Kong) Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with the shareholders of Columbus Holding GmbH pursuant to which Goodbaby (Hong Kong) Limited acquired the entire issued share capital of Columbus Holding GmbH for EUR70,711,539 (equivalent to HK$751,069,681). Columbus Holding GmbH became a wholly-owned subsidiary of the Company upon completion of the transaction on 30 January 2014. Mr. Martin Pos was one of the vendors in the transaction and he was appointed a Director on 18 March 2014.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had, since 31 December 2013, being the date of the latest published audited financial statements of the Company, been acquired or disposed of by, or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by, or leased to any member of the Enlarged Group.

(c) **Interests of Directors in contracts**

There is no contract or arrangement entered into by any member of the Enlarged Group subsisting at the Latest Practicable Date in which any Director is materially interested in and which is significant to the business of the Group.

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, Shareholders (other than a Director or chief executive of the Company) who had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 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	Percentage of Shareholding
Pacific United Developments Limited *(Note 2)*	Beneficial owner	259,000,000(L)	23.52%
Cayey Enterprises Limited *(Note 2)*	Interest of controlled corporation	259,000,000(L)	23.52%
Credit Suisse Trust Limited *(Note 2)*	Trustee	259,000,000(L)	23.52%
Grappa Holdings Limited *(Note 2)*	Interest of controlled corporation	259,000,000(L)	23.52%

Name	Capacity	Number of Shares	Percentage of Shareholding
Ms. Fu Jingqiu ("Ms. Fu") *(Note 2)*	Settlor / beneficiary of a trust	259,000,000(L)	23.52%
FIL Limited	Investment Manager	77,593,000(L)	7.04%
Government of Singapore Investment Corporation Pte. Ltd.	Investment Manager	70,841,000(L)	6.43%
The Capital Group Companies, Inc. *(Note 3)*	Interest of controlled corporation	71, 037,000(L)	6.45%

Notes:

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

(2) Pacific United Developments Limited is owned as to approximately 45.39% by Cayey Enterprises Limited, which in turn is, as at 31 December 2013, 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) The Capital Group Companies, Inc holds a 100% shareholding interest in Capital Group International, Inc. ("CGII") whereas CGII holds a 100% shareholding interest in each of Capital Guardian Trust Company, Capital International, Inc., Capital International Limited and Capital International Sarl and consequently, each of them is deemed to be interested in 71,037,000 shares.

Save as disclosed above, so far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Mr. Song Zhenghuan and Mr. Wang Haiye are directors of Pacific United Developments Limited. Apart from that, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the Shares or underlying Shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service contract with any member of the Enlarged Group which does not expire or which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), subject to retirement by rotation and re-election pursuant to the articles of association of the Company and the Listing Rules.

5. COMPETING BUSINESS INTEREST OF DIRECTORS

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

6. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration proceedings of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

7. MATERIAL CONTRACT

The following contract has been entered into by the Enlarged Group (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this circular and is or may be material:

(a) On 27 January 2014, Goodbaby (Hong Kong) Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with the shareholders of Columbus Holding GmbH pursuant to which Goodbaby (Hong Kong) Limited acquired the entire issued share capital of Columbus Holding GmbH for EUR70,711,539 (equivalent to HK$751,069,681).

8. EXPERTS AND CONSENT

The following are the qualifications of the experts who have been named in this circular or have given opinion or letter contained in this circular:

Name	Qualifications
Deloitte Touche Tohmatsu	Certified public accountants
Ernst & Young	Certified public accountants

As at the Latest Practicable Date, Deloitte Touche Tohmatsu and Ernst & Young have given and have not withdrawn their written consent to the issue of this circular with the inclusion therein of their letters and references to their names, in the form and context in which they are included.

As at the Latest Practicable date, Deloitte Touche Tohmatsu and Ernst & Young did not have any shareholding in any member of the Enlarged Group and did not have the right to subscribe for or to nominate persons to subscribe for shares in any members of the Enlarged Group.

As at the Latest Practicable Date, Deloitte Touche Tohmatsu and Ernst & Young did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group, or which are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Company were made up.

9. GENERAL

(a) The company secretary of the Company is Ms. Pau Lai Mei. Ms. Pau is a Chartered Secretary and a fellow member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

(b) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(c) The principal place of business of the Company in Hong Kong is at Room 2001, 20th Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

(d) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited.

(e) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Room 2001, 20th Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including the date of the Extraordinary General Meeting;

(a) the articles of association of the Company;

(b) the annual reports of the Company for years ended 31 December 2011, 2012 and 2013;

(c) the accountants' report on the Target, the text of which is set out in Appendix II to this circular;

(d) the statement signed by Deloitte Touche Tohmatsu setting out the adjustments made by them in preparing the accountants' report on the Target;

(e) the accountants' report in respect of the unaudited pro forma financial information of the Enlarged Group upon Closing, the text of which is set out in Appendix III to this circular;

(f) the material contract referred to in the section headed "Material Contract" of this appendix;

(g) the written consents of the experts referred to in the section headed "Experts and Consents" of this appendix;

(h) the Agreement; and

(i) this circular.

Goodbaby International Holdings Limited
好 孩 子 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1086)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Goodbaby International Holdings Limited (the "**Company**") will be held at Regus Hong Kong Center at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Wednesday, 16 July 2014 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the agreement dated 6 June 2014 (the "**Agreement**") entered into between the Company, Serena Merger Co., Inc., a wholly-owned subsidiary of the Company, and WP Evenflo Group Holdings, Inc., the Holder Parties (as defined in the circular of the Company dated 27 June 2014 (the "**Circular**")), and WP Administration, LLP, as representative of the Holders (as defined in the Circular), a copy of which is tabled at the meeting and marked "**A**" and initialized by the chairman of the meeting for identification purposes, pursuant to which the Company will acquire the entire issued share capital of WP Evenflo Group Holdings, Inc. through a merger transaction as detailed in the Circular for a consideration of US$143,041,667 (subject to adjustment), be and is hereby approved, confirmed and ratified; and

(b) any one director of the Company be and is hereby authorised to do all such further acts and things and to sign and execute all such documents and to take all such steps which in his/her opinion may be necessary, appropriate, desirable or expedient to implement and/or give effects to the transactions contemplated hereunder."

By order of the Board
GOODBABY INTERNATIONAL HOLDINGS LIMITED
SONG Zhenghuan
Chairman

Hong Kong, 27 June 2014

Notes:

1. The above resolution at the meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

2. Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the above meeting. A proxy need not be a shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. For determining the entitlement to attend and vote at the above meeting, the register of members of the Company will be closed from Monday, 14 July 2014 to Wednesday, 16 July 2014, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 11 July 2014.

5. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

As at the date of this circular, the board of directors of the Company comprises four executive Directors, Mr. Song Zhenghuan (Chairman and Chief Executive Officer), Mr. Wang Haiye (Vice President), Mr. Michael Nan Qu and Mr. Martin Pos; and one non-executive Director, Mr. Ho Kwok Yin, Eric; and three independent non-executive Directors, Mr. Iain Ferguson Bruce, Mr. Shi Xiaoguang and Ms. Chiang Yun.

This circular ("Circular") (in both English and Chinese versions) has been posted on the Company's website at www.gbinternational.com.hk. Shareholders who have chosen to receive the Company's Corporate Communications (including but not limited to annual report, summary financial report (where applicable), interim report, summary interim report (where applicable), notice of meeting, listing document, circular and proxy form) via the Company's website and for any reason have difficulty in gaining access to the Circular posted on the Company's website will promptly upon request be sent by post the Circular in printed form free of charge. Shareholders may at any time change their choice of means of receipt and language of the Corporate Communications.

Shareholders may request for printed copy of the Circular or change their choice of means of receipt and language of the Corporate Communications by sending reasonable notice in writing to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by sending an email to goodbaby.ecom@computershare.com.hk.

Shareholders who have chosen to receive the Company's Corporate Communications in either English or Chinese version will receive both English and Chinese versions of this Circular since both languages are bound together into one booklet.